



STAFF REPORT

DATE: June 20, 2023

REGULAR

AGENDA ITEM: Presentation & Acceptance of the 2022 Annual Comprehensive Financial Report (ACFR)

FROM: Kristina Handt, City Administrator

BACKGROUND:

Annually, the City engages the services of an independent outside audit firm to audit and assist with the preparation of the financial statements. The auditors are asked to assure that the financial statements are free from material misstatement in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The firm also performs testing and makes inquiries to help ensure that proper internal controls are in place. This is the tenth year that the City of Lake Elmo has presented the report in the Annual Comprehensive Financial Report (ACFR) layout.

As such, the City has retained the services of Schlenner Wenner, to perform the City of Lake Elmo's audit for 2022. The 2022 Annual Comprehensive Financial Report and Management Reports will be presented to the City Council by Mr. Jon Archer – Partner, from Schlenner Wenner with the opportunity to ask questions of both Mr. Archer and City Staff.

ISSUE BEFORE THE CITY COUNCIL:

- 1) Does the City Council have any questions regarding the 2022 ACFR?

DISCUSSION:

Mr. Jon Archer, will present information regarding the 2022 Audit, answer any questions the City Council may have pertaining to the 2022 Audit and the 2022 ACFR.

The City received an unmodified audit opinion, meaning the Financial Statements are fairly stated in all material respects. There were no findings related to Minnesota Legal Compliance. One finding related to Internal Controls over Financial Reporting are noted in the report- Lack of Ideal Segregation of Duties.

At December 31, 2022, the unassigned fund balance of the General Fund was \$7,540,239 or 128% of 2023 budgeted expenditures and transfers.

FISCAL IMPACT:

Overall sound policies, fiscal management, effective operational, capital, and long range planning are all integral parts of City business leading up to the audit and completion of the ACFR. As such, continued investment in the aforementioned items will help position the City to continue to provide quality, efficient, timely and cost effective services to the constituents of the community.

RECOMMENDATION:

- 1) No formal recommendation is required, but the City Council at its discretion may accept the results of the 2022 Audit and 2022 ACFR.

MOTION:

“Motion to accept the 2022 Annual Comprehensive Financial Report.”

ATTACHMENTS:

- 1) 2022 Annual Comprehensive Financial Report (ACFR)
- 2) Schlenner Wenner Report to the Members of Governance

City of Lake Elmo, Minnesota

Annual Comprehensive Financial Report

For the Year Ended December 31, 2022

Prepared by:
Finance Department



**CITY OF LAKE ELMO, MINNESOTA
TABLE OF CONTENTS**

INTRODUCTORY SECTION:

Letter Of Transmittal	2
Certificate Of Achievement For Excellence In Financial Reporting	6
City Council And Officials	7
Organizational Chart.....	8

FINANCIAL SECTION:

INDEPENDENT AUDITOR’S REPORT	10
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REQUIRED SUPPLEMENTARY INFORMATION:

Management’s Discussion and Analysis	14
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BASIC FINANCIAL STATEMENTS:

<i>Government-wide Financial Statements</i>	
Statement of Net Position	25
Statement of Activities	26
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds.....	27
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	30
Reconciliation of Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Statement of Net Position – Proprietary Funds	33
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	34
Statement of Cash Flows – Proprietary Funds	35
<i>Notes to the Basic Financial Statements</i>	<i>37</i>

REQUIRED SUPPLEMENTARY INFORMATION:

Budgetary Comparison Schedule – General Fund.....	71
Schedule of City’s Proportionate Share of the Net Pension Liability.....	73
Schedule of City Pension Contributions.....	74
Schedule of Changes in Net Pension Liability (Asset) – Firefighters Relief Association	75
Schedule of Changes in City’s Net OPEB Liability	76
Schedule of City OPEB Contributions	77
Notes to the Required Supplementary Information	78

CITY OF LAKE ELMO, MINNESOTA
TABLE OF CONTENTS (Continued)

SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds	86
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	87
Combining Balance Sheet – Nonmajor Special Revenue Funds	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	89
Combining Balance Sheet – Nonmajor Capital Project Funds	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds	93
Supplemental Combining Balance Sheet – Debt Service Fund	96
Supplemental Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance – Debt Service Fund	98
Schedule of Indebtedness	100

STATISTICAL SECTION (UNAUDITED):

Financial Trends

Net Position by Component.....	103
Changes in Net Position	105
Fund Balances – Governmental Funds	109
Changes in Fund Balances – Governmental Funds	111

Revenue Capacity

Tax Capacity and Estimated Actual Value of Taxable Property	113
Direct and Overlapping Property Tax Rates.....	114
Principal Property Taxpayers	115
Property Tax Levies and Collections.....	116
Water and Sanitary Sewer Charges by Customer.....	117

Debt Capacity

Ratios of Outstanding Debt by Type	118
Ratios of Net General Bonded Debt	119
Direct and Overlapping Governmental Activities Debt.....	120
Legal Debt Margin Information	121
Pledged Revenue Coverage.....	122

Demographic and Economic Information

Demographic and Economic Statistics	123
Principal Employers	124

Operating Information

Full-Time Equivalent Employees By Function/Program	125
Operating Indicators by Function/Program	127
Capital Asset Statistics by Function/Program	129

OTHER REQUIRED REPORTS:

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	131
Schedule of Findings and Responses.....	133
Corrective Action Plans.....	134

**INTRODUCTORY
SECTION**



June 6, 2023

Honorable Mayor, Members of the City Council, and Citizens of the City of Lake Elmo:

Minnesota Statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), under the guidance of the Governmental Accounting Standards Board (GASB), and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Lake Elmo, MN for the fiscal year ended December 31, 2022.

This report consists of management's representation concerning the finances of the City of Lake Elmo. Consequently, management assumes full responsibility for the completeness, accuracy, and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the management of the City of Lake Elmo has established a thorough internal control system designed to both protect the City's assets from loss, theft and misuse, and to compile all necessary information for the preparation of the City of Lake Elmo's financial statements in conformity with GAAP and GASB. As a management team, we assert that the financial statements will be free from material misstatement and that the financial report is reliable in all material respects.

The City of Lake Elmo's financial statements have been audited by Schlenner Wenner & Co., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Lake Elmo for the fiscal year ended December 31, 2022 are free from material misstatement. The independent audit involved examining, on an approved test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the City of Lake Elmo's financial statements for fiscal year ended December 31, 2022 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

A "Single Audit" designed to meet the special needs of a federal grantor agency was not performed for the year ended December 31, 2022 as the City did not participate in any programs that required this additional independent audit.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is included to complement the MD&A and should be read in conjunction with it. The City of Lake Elmo's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Lake Elmo was incorporated in 1926 and is a statutory city in the State of Minnesota six miles east of St. Paul Minnesota. Located in Washington County, it covers 25 square miles and has an estimated 2022 population of 13,514, which represents 4,849 households.

Policy-making and legislative authority are vested in a governing council consisting of an elected Mayor and four council members. Per Minnesota State Statute, the governing council is responsible for passing ordinances, adopting an annual budget, appointing committees and hiring both the city's administrator and attorney. The City Administrator is responsible for carrying out the policies and ordinances of the governing council and overseeing the day-to-day operations of the city. The Council is elected on a non-partisan basis. The Mayor serves a four-year term and council members serve a four-year staggered term, with two of these positions elected every two years. The Mayor and the Council are elected at-large.

The City of Lake Elmo provides a full range of services including fire protection services, construction and maintenance of streets and infrastructure; recreational facilities; and water, sanitary sewer and storm water utility services. The City contracts with the Washington County Sheriff's Department for police services.

The annual budget serves as the foundation for the City of Lake Elmo's financial management and fiscal stewardship. City departments and agencies of the City submit their requested budget to the City Administrator and the Finance Director in order to compile a preliminary balanced budget for submission to the City Council. The preliminary balanced budget is presented to the City Council in September each year so that the preliminary property tax levy can be submitted to Washington County by the annual due date. The preliminary property tax levy may be decreased but not increased. The 2022 Adopted Budget and final property tax levy was required to be adopted by and submitted to Washington County by December 28, 2021. Included in the City annual budget process is the compilation of a Capital Improvement Plan which allows for strategic planning of City infrastructure and equipment needs while maintaining a reasonable level of debt and a strong unassigned fund balance. Quarterly budget to actual comparison reports are provided to the City Council to keep them apprised of the financial performance of the City.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Lake Elmo operates.

LOCAL ECONOMY

Lake Elmo is home to numerous businesses that are leaders in their respective industries. New residential developments platted since 2014 numbering approximately 2,977 dwelling units have been approved. In 2022 and early 2023, the City saw continued interest in residential and commercial growth and entered into several new development agreements:

- Wildflower 4th addition – 41 New Single-Family Homes
- Kokoro Volleyball – 27,540 sq. ft. Athletic Facility
- Royal Golf 5th Addition – 43 New Single Family Homes
- Hendrix Apartments and Goddard School – 190 unit Apt Building and Day Care
- Drake Development – Tesla, Dairy Queen and 2 additional Commercial Lots
- Amira – 146 Senior Rental Apt Building

Further, several projects have been fully completed in 2022:

- Boulder Ponds 3rd
- Royal Golf Club 1st
- Wildflower 1st and 2nd
- Inwood 6th Addition-Kwik Trip
- Lake Ridge Crossing 1st and 2nd

The City's highway infrastructure continues to make Lake Elmo a desirable residential location. Rapid growth is further reflected in 2022 population estimates of 13,514, or an increase of 19%, since the 2020 census.

New housing starts in 2022 numbered 200 with a total permit value of \$143,910,977 and an average home value of \$347,786. There were 6 new Commercial construction projects in 2022, and a number of remodels and expansions. All these new starts have been built in 2022 or will be finished in 2023, which will greatly strengthen the existing tax base of the City.

LONG TERM FINANCIAL PLANNING

Total unassigned General Fund balance as of December 31, 2022 was 128% of the next year's general fund expenditures and other financing uses. Although the State Auditor recommends maintaining a level of 35% - 50%, the City has consistently exceeded that rate, showing the City's financial strength.

The City's 5-year Capital Improvement Plan serves as the foundation for long-term financial planning. Funding needs for capital replacements are reflected in tax levies for the street renewal and general fund asset replacements. Funding needs for capital infrastructure in the enterprise funds are funded through user fees in those funds.

During 2017, Moody's Investors Service increased the City's long-term debt rating of Aa1, and reaffirmed this rating in 2022 and 2023. In their assessment of the City, Moody's noted the following:

- Wealthy tax base favorably located in the Twin Cities metropolitan area with strong resident incomes
- Strong financial operations supported by ample reserves and liquidity
- Low pension burden

Projections for the next 5 years indicate that property tax contributions, user fees, and investment income will continue to grow based on planned development and expansion within the City.

RELEVANT FINANCIAL POLICIES

Trends of the past decade, changes in state tax law, and recent legislation indicate that the City will have a greater reliance on property taxes as a source of financing for city operations in the future and less reliance on the intergovernmental revenues (federal and state) and building permit fees. Changes in state tax law over the past decade have resulted in funding changes for both schools and local governments. The elimination of the homestead and agricultural credit aids program, and large cuts in both local government aid and the market value homestead credit programs resulted in revenue losses to the City. In addition, as the City continues toward full development, we anticipate future decreases in building permit revenues.

MAJOR INITIATIVES

2022 was again an extremely robust year for the City due to continuation of on-going infrastructure upgrades, projects, as well as oversight of on-going residential and commercial development activity.

Some of the 2022 infrastructure projects included the following:

- Construction of a New City Center was approved and began in 2021. The New City Center consists of a combined City Hall & Public Safety Facility. The new facility combines City Hall staff and functions, the entire Fire Department, and a satellite office for the Washington County Sheriff's department. This co-location involves renovating and expanding the City-owned Brookfield Office building to concentrate civic resources into a single structure at the historic core of the city. In addition the Public Works facility will also be expanded to accommodate City growth and expanded service needs. The project is expected to be completed summer of 2023.
- A stoplight and turn lanes were installed at Manning Ave (CSAH 15) and 30th St to accommodate the growth in traffic along the corridor.
- The Old Village Improvement project on Phases V & VI of the project wrapped up construction in 2022. The projects cover full reconstruction of the streets as well as upgrading the existing water system and installation of a new sewer system and storm water drainage system.
- Extension of municipal sewer to the Tapestry development began in 2022 with completion anticipated in 2023.
- Municipal sewer lines were extended along the city's western border in order to serve new development on the 180 acres the city received in a settlement with 3M in 2019. The new area will provide for business/industrial, commercial and low-density housing options.

- The City continued work on several expedited water main projects to bring water to neighborhoods with PFAS contamination at no cost to the city or residents due to grants from the MPCA. These projects include water main extensions, road construction and in some cases the extension of sewer. Sewer costs of the project will be assessed 100% to the benefiting property owners. In 2022, the projects in Hamlet on Sunfish Lake and 38th/39th/Innsdale Ave were completed.
- Well #1 and the pump house were also decommissioned and abandoned due to PFAS through grant assistance from MPCA.
- Water Tower #3 began construction in 2022 to increase storage capacity on the southeast area of the city. It is expected to be online in the fall of 2023.
- Use of Parkland dedication fees to continue to make improvements to existing and new parks.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City again for the fiscal year ending December 31, 2021. This certificate is a prestigious national award recognizing conformance with the highest standards for preparation for state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A certificate is valid for one year only.

The City of Lake Elmo is pleased to present its Annual Comprehensive Financial Report, which will be submitted to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting for its financial reports for the fiscal year ended December 31, 2022. The preparation of this report would not have been possible without the efficient and dedicated services of the personnel of the City of Lake Elmo. Further, we would like to express our appreciation to all members of the organization who assisted in contributing to the preparation of the report. Credit must also be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of management of the City of Lake Elmo's finances.

Respectfully submitted,



Kristina Handt
City Administrator



Kyle Sawyer
Contract Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Lake Elmo
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

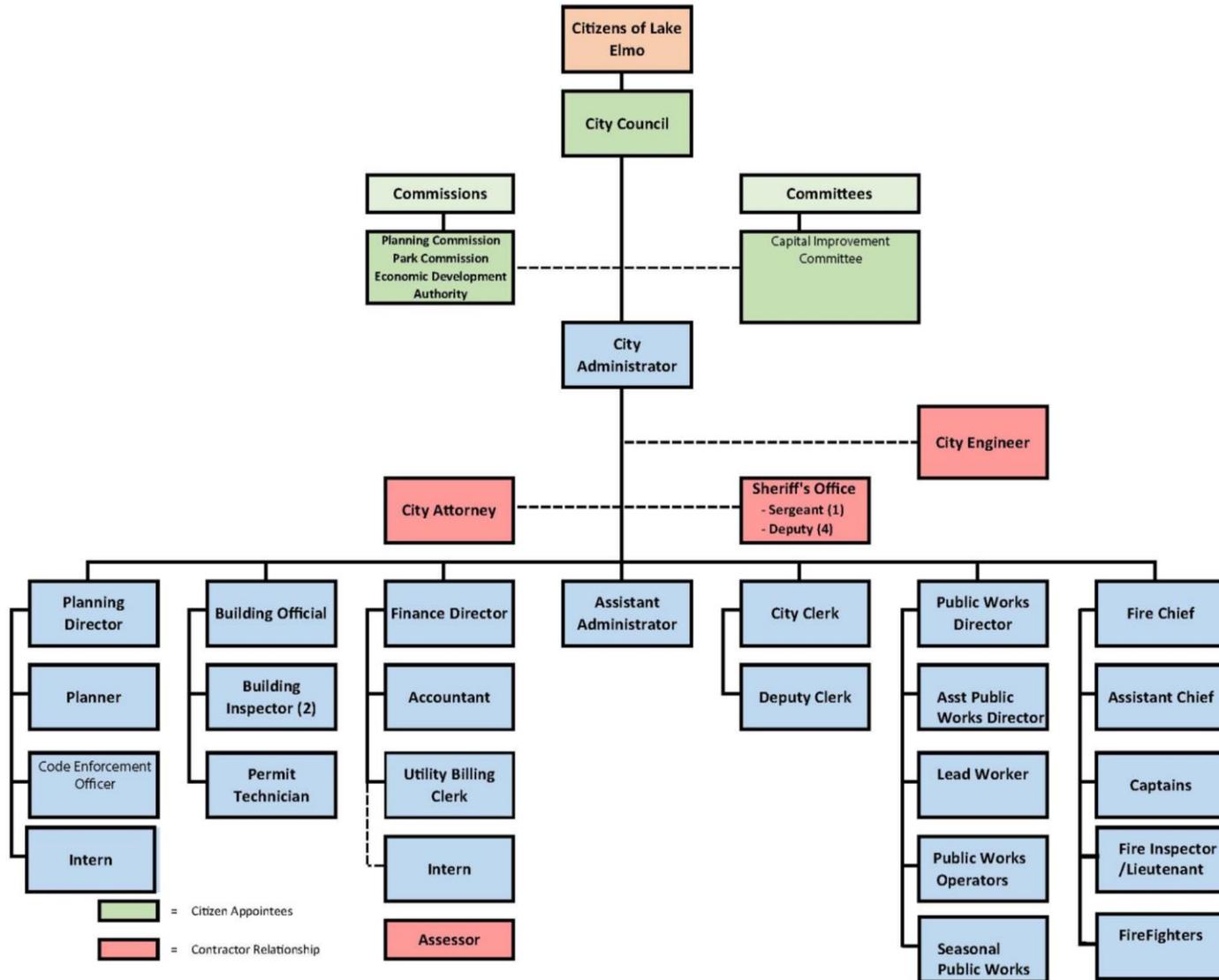
Executive Director/CEO

**CITY OF LAKE ELMO, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022**

CITY COUNCIL		<u>Term Expires</u>
Charles Cadenhead	Mayor	January 1, 2025
Katrina Beckstrom	Council Member	January 1, 2025
Dale Dorschner	Council Member	January 1, 2023
Jeff Holtz	Council Member	January 1, 2025
Lisa McGinn	Council Member	January 1, 2027
 APPOINTED CITY OFFICIALS		
Kristina Handt	City Administrator	Appointed
Julie Johnson	City Clerk	Appointed



**ORGANIZATIONAL CHART
FOR THE YEAR ENDED DECEMBER 31, 2022**



**FINANCIAL
SECTION**

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo, Minnesota's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1.H. to the financial statements, during the current fiscal year the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Lake Elmo, Minnesota's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Elmo, Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lake Elmo, Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lake Elmo, Minnesota's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules, and schedule of indebtedness, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of indebtedness has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023 on our consideration of the City of Lake Elmo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lake Elmo, Minnesota's internal control over financial reporting and compliance.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 6, 2023

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

Our discussion and analysis of the City of Lake Elmo's financial performance provides an overview of the City's financial activities for the year ended December 31, 2022. Please read it in conjunction with the independent auditor's report on page 10 and the City's financial statements, which begin on page 25.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Lake Elmo exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$150,998,515 (net position). The unrestricted portion of net position, the portion used to meet the City's ongoing obligations to citizens and creditors, is \$38,878,151.
- The City's total net position increased \$20,107,051 as a result of this year's operations.
- As of the close of the current fiscal year, the City of Lake Elmo's governmental funds reported a combined ending fund balance of \$24,435,594 which is a decrease of \$5,975,337 in comparison with the prior year. The overall unassigned fund balance is \$7,342,111.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$7,540,239, or 128% of total 2022 general fund expenditures. The City's Fund Balance policy is to maintain an unassigned fund balance in the General Fund of an amount that is not less than 50% to 60% of the next year's budgeted expenditures of the General Fund.
- In the City's business-type activities, revenues decreased \$791,023 (3.75 percent) and program expenses increased \$1,246,772 (24.65 percent). These changes are discussed in greater detail throughout the following pages.
- Total cost of all of the City's governmental activities' departments increased \$1,280,489 (or 14.76 percent) in aggregate.
- The City's General Fund generated more revenue than budgeted of \$820,875, excluding transfers in from other funds. Expenditures were less than budgeted by \$1,185,372, excluding transfers to other funds. See additional details on page 71.
- As discussed in Note 1.H. in the Notes to the Basic Financial Statements, the City adopted Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87) during the current fiscal year. This standard changes the previous lease accounting methodology and requires the recognition of all lease assets and liabilities on the Statement of Net Position. Due to the adoption of this standard, the City reported lease receivables of \$1,661,436 and corresponding deferred inflows of resources totaling \$1,631,600, at December 31, 2022. Because the overall impact of the change was not significant, no restatements to beginning net position or the comparative information in this Management's Discussion and Analysis were necessary.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 25 and 26) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

USING THIS ANNUAL REPORT (Continued)

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 16. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. You can think of the City's net position (assets plus deferred outflows, less liabilities plus deferred inflows) as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, costs associated with current and future construction projects, and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including the fire, public works, parks, and planning and zoning departments, along with general administration. Property taxes, special assessments, licenses, permits and fees, and State aids finance most of these activities.
- **Business-type Activities** - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, and storm sewer systems are reported here.

Reporting the City's Most Significant Funds

Our analysis of the City's funds begins on page 18. The fund financial statements begin on page 27 and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds (governmental and proprietary) use different accounting approaches.

- **Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations following the governmental fund financial statements.
- **Proprietary Funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE

The City's combined net position increased \$20,107,051 from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$ 35,239,395	\$ 38,965,261	\$ 26,273,660	\$ 21,461,986	\$ 61,513,055	\$ 60,427,247
Net Capital Assets	<u>72,396,569</u>	<u>53,195,055</u>	<u>90,076,157</u>	<u>77,034,129</u>	<u>162,472,726</u>	<u>130,229,184</u>
Total Assets	107,635,964	92,160,316	116,349,817	98,496,115	223,985,781	190,656,431
Deferred Outflows of Resources	1,375,926	823,855	181,480	153,623	1,557,406	977,478
Current Liabilities	6,459,882	5,450,707	1,980,429	1,602,968	8,440,311	7,053,675
Noncurrent Liabilities	<u>34,230,125</u>	<u>29,274,372</u>	<u>30,027,530</u>	<u>23,095,670</u>	<u>64,257,655</u>	<u>52,370,042</u>
Total Liabilities	40,690,007	34,725,079	32,007,959	24,698,638	72,697,966	59,423,717
Deferred Inflows of Resources	1,836,690	1,123,890	10,016	194,838	1,846,706	1,318,728
Net Position:						
Net Investment in Capital Assets	39,647,112	34,784,806	59,998,083	53,867,479	99,645,195	88,652,285
Restricted	12,475,169	10,249,092	-	-	12,475,169	10,249,092
Unrestricted	<u>14,362,912</u>	<u>12,101,304</u>	<u>24,515,239</u>	<u>19,888,783</u>	<u>38,878,151</u>	<u>31,990,087</u>
Total Net Position	<u>\$ 66,485,193</u>	<u>\$ 57,135,202</u>	<u>\$ 84,513,322</u>	<u>\$ 73,756,262</u>	<u>\$ 150,998,515</u>	<u>\$ 130,891,464</u>

The net position of the City's governmental activities increased by \$9,349,991 (16.36 percent). Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$2,261,608 compared to the prior year.

The net position of the City's business-type activities increased by \$10,757,060 (14.58 percent) from the prior year. Such increase can be attributed primarily to the operations of the Water Fund, which individually experienced an increase in net position of \$6,374,212 from the prior year.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE (Continued)

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Government	
	2022	2021	2022	2021	2022	2021
REVENUE						
Charges for Services	\$ 2,889,869	\$ 2,847,821	\$ 5,284,821	\$ 2,773,787	\$ 8,174,690	\$ 5,621,608
Operating Grants and Contributions	391,306	279,690	-	35,635	391,306	315,325
Capital Grants and Contributions	4,783,094	8,981,866	15,257,903	18,326,363	20,040,997	27,308,229
Property Taxes	7,488,228	5,294,950	-	-	7,488,228	5,294,950
Franchise Taxes	77,694	-	-	-	77,694	-
Intergovernmental	703,388	4,639	2,146	-	705,534	4,639
Investment Earnings (Losses)	(380,657)	(13,874)	(221,053)	(20,945)	(601,710)	(34,819)
Other	23,384	-	-	-	23,384	-
Total Revenues	15,976,306	17,395,092	20,323,817	21,114,840	36,300,123	38,509,932
PROGRAM EXPENSES						
General Government	1,055,405	1,052,188	-	-	1,055,405	1,052,188
Public Safety	2,939,066	3,091,321	-	-	2,939,066	3,091,321
Public Works	4,831,584	3,735,767	-	-	4,831,584	3,735,767
Parks and Recreation	415,377	391,240	-	-	415,377	391,240
Economic Development	-	53,264	-	-	-	53,264
Interest and Other Charges	716,093	353,256	-	-	716,093	353,256
Water	-	-	3,280,875	2,665,708	3,280,875	2,665,708
Sewer	-	-	2,071,858	1,563,008	2,071,858	1,563,008
Storm Sewer	-	-	952,799	830,044	952,799	830,044
Total Expenses	9,957,525	8,677,036	6,305,532	5,058,760	16,263,057	13,735,796
Increase (Decrease) in Net Position						
Before Transfers/Other Items	6,018,781	8,718,056	14,018,285	16,056,080	20,037,066	24,774,136
Gain (Loss) on Disposal of Assets	69,985	17,300	-	-	69,985	17,300
Capital Asset Transfers	3,261,225	-	(3,261,225)	-	-	-
Transfers	-	5,250,000	-	(5,250,000)	-	-
Change in Net Position	9,349,991	13,985,356	10,757,060	10,806,080	20,107,051	24,791,436
Net Position - Beginning of Year	57,135,202	43,149,846	73,756,262	62,950,182	130,891,464	106,100,028
Net Position - End of Year	<u>\$ 66,485,193</u>	<u>\$ 57,135,202</u>	<u>\$ 84,513,322</u>	<u>\$ 73,756,262</u>	<u>\$ 150,998,515</u>	<u>\$ 130,891,464</u>

The City's total revenues decreased by \$2,209,809 (5.74 percent). The total cost of all programs and services increased by \$2,527,261 (18.40 percent). Our following analysis separately considers the operations of governmental and business-type activities.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY AS A WHOLE (Continued)

Governmental Activities

Revenue for the City's governmental activities decreased by \$1,418,786 (8.16 percent). The decrease in revenue is primarily due to a reduction in revenues from capital grants and contributions, resulting from significant contributions of infrastructure from developers during 2021. Total expenses increased \$1,280,489 (14.76 percent), primarily due to increased expenses for public works and debt service related costs. Such changes in expenses have been reviewed in greater detail below.

Table 3 presents the cost of each of the City's programs - general government, public safety, public works, parks and recreation, economic development, and debt service - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Activities (net of capital outlay which is excluded from Table 3) were generally comparable to the prior year as operations remained fairly consistent with the prior year, with the exception of:

- Public works net cost of services increased \$3,359,575, due to increases in maintenance project costs and depreciation expense, in conjunction with a decrease in revenues from contributed infrastructure previously discussed.
- Parks and recreation net cost of services increased \$1,661,085, largely due to the recognition of \$1,845,371 of park dedication revenues in 2021 as compared to \$199,740 in 2022. The 2021 park dedication revenues served as a reduction to the *net* costs of the department in 2021.
- Interest and Other Charges net cost of services increased \$362,837 as a result of additional interest expenses incurred and accrued for debt issued during late 2021 and throughout 2022.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2022	2021	2022	2021
General Government	\$ 1,055,405	\$ 1,052,188	\$ 620,275	\$ 509,657
Public Safety	2,939,066	3,091,321	635,737	808,506
Public Works	4,831,584	3,735,767	(283,078)	(3,642,653)
Parks and Recreation	415,377	391,240	204,253	(1,456,832)
Economic Development	-	53,264	(24)	(4,275)
Interest and Other Charges	716,093	353,256	716,093	353,256
Totals	\$ 9,957,525	\$ 8,677,036	\$ 1,893,256	\$ (3,432,341)

Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased by \$791,023 (3.75 percent) and program expenses increased by \$1,246,772 (24.65 percent). The decrease in revenues is due primarily to a decrease in MPCA grant revenues recognized in 2022 as compared to 2021. The increase in expenses is due largely to an increase in depreciation expense being recognized in 2022, due to various projects being finalized and placed into service. Additionally, interest expenses increased as a result of the new debt issuances previously discussed, which partially pertained to business-type activities.

THE CITY'S FUNDS

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet on page 27) reported a combined fund balance of \$24,435,594. This is a decrease of \$5,975,337 from the prior year. Operations were comparable to the prior year, with the exception of significant expenditures being incurred in 2022 for the City Hall and Fire Station building project, as well as bond proceeds and premiums of over \$16 million being recognized in the prior year. Financial information specific to the governmental funds is detailed on the following page. Such information was derived from the fund financials.

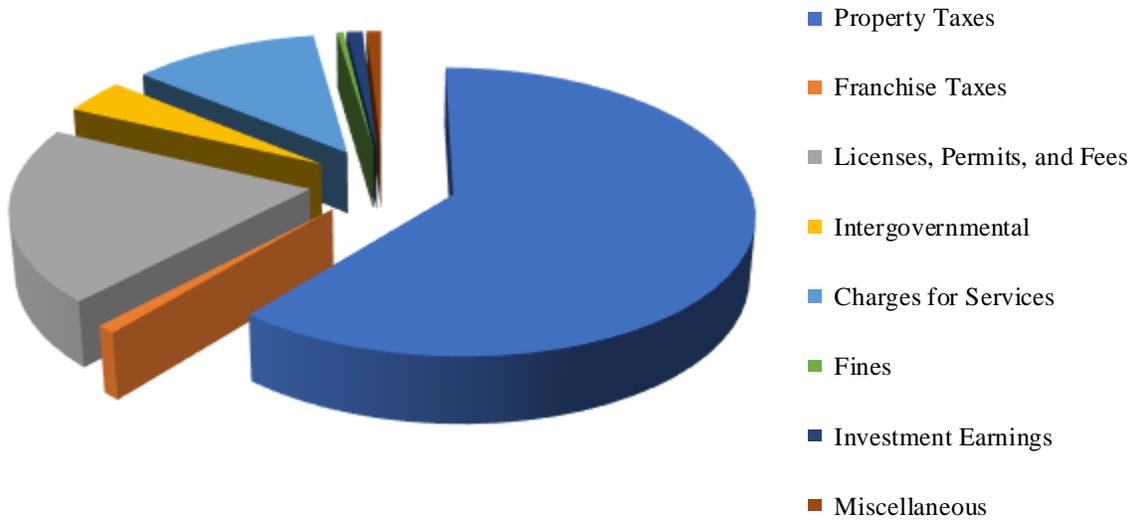
**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
General	\$ 7,540,239	\$ 5,618,812	\$ 1,921,427

The fund balance of the General Fund increased by \$1,921,427 compared to 2021. Details of the General Fund's revenues and expenditures are displayed below:

General Fund Revenues

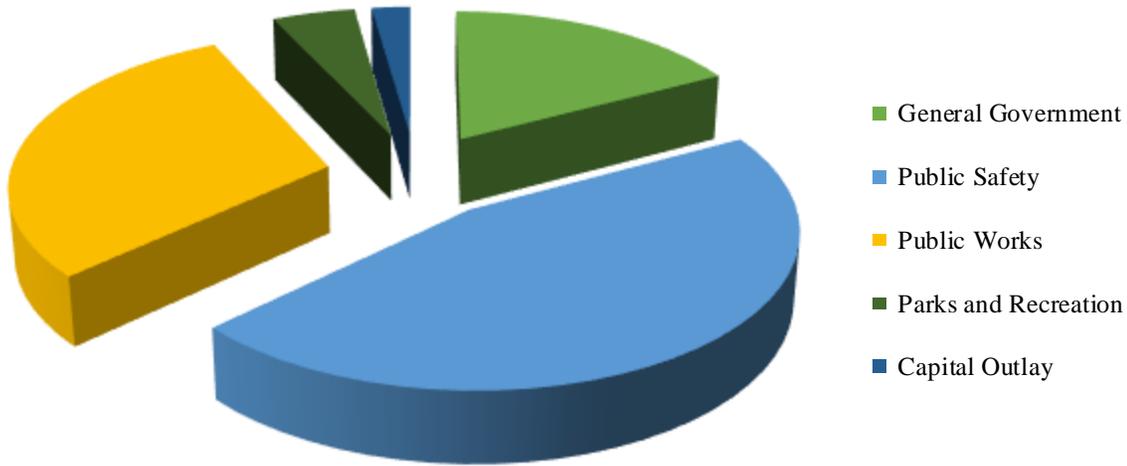


The City received the majority of its funding in the General Fund in the form of grants and funding received from property taxes (62.32 percent), licenses, permits, and fees (20.40 percent), charges for services (11.95 percent), and other governmental agencies (4.03 percent). Overall, the City's General Fund revenues were comparable to the prior year, with the exception of property taxes that increased as planned with the 2022 levy.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)

General Fund Expenditures



A significant portion of the City's General Fund expenditures are used for public safety (45.82 percent). Remaining expenditures are used primarily for public works (29.90 percent) and general government (17.25 percent). Expenditures are comparable to the prior year.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2022	2021	
Debt Service Fund	\$ 4,535,578	\$ 3,890,901	\$ 644,677

The Debt Service fund balance increased as a result of a decrease in loan principal payments made in 2022 as compared to 2021. Additionally, the City received bond proceeds during the year in relation to their 2022A G.O. Improvement and Tax Abatement Bond issuance.

City Hall / Fire Station Bldg Project Fund	\$ 6,720,887	\$ 15,220,166	\$ (8,499,279)
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The City Hall / Fire Station Bldg Project fund balance decreased due to substantial capital outlay expenditures being incurred throughout the year for the construction of the City Hall and Fire Station project.

Old Village Phases 5 & 6	\$ (8,413)	\$ 323,317	\$ (331,730)
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The Old Village Phases 5 & 6 fund balance decreased due to substantial capital outlay expenditures being incurred throughout the year for the corresponding project.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

THE CITY'S FUNDS (Continued)

General Fund Budgetary Highlights

The City's General Fund generated more revenue than budgeted of \$820,875, excluding transfers in from other funds. Expenditures were less than those budgeted by \$1,185,372, excluding transfers to other funds. Budgeted expenditures in excess of actual amounts were mostly distributed across departments, but resulted most significantly from fire, building inspection, street maintenance, and public works capital outlay line items.

Proprietary Funds

As the City completed the year, its business-type activities reported a combined net position of \$84,513,322. This is an increase of \$10,757,060 from the prior year. The following is a summary of the City's major proprietary funds:

Major Funds	Net Position December 31,		Increase (Decrease)
	2022	2021	
Water	\$ 46,447,856	\$ 40,073,644	\$ 6,374,212

The Water Fund net position increased due to significant intergovernmental revenues received from the MPCA in relation to various projects during the year, as well as revenues being recognized in relation to infrastructure assets conveyed to the City by local developers.

Sewer	\$ 25,298,195	\$ 22,485,630	\$ 2,812,565
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The Sewer Fund net position increased as a result of approximately \$2.25 million of special assessments revenue being recognized during the year, along with significant developer contributions of infrastructure.

Storm Sewer	\$ 12,767,271	\$ 11,196,988	\$ 1,570,283
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The Storm Sewer Fund net position increased due to the City receiving developer contributed infrastructure during the year, \$1,994,356 of which was recognized in this fund.

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the City had a net investment of \$161,875,371 in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, roads, and water, sewer, and storm sewer infrastructure. This amount represents a net increase of \$32,151,609 (24.78 percent) from last year. More detailed information about the City's capital assets is presented in Note 2.C. to the financial statements.

Significant capital asset activity from throughout the year consisted of the following:

- Developer contributions of infrastructure exceeded \$9 million in total.
- Costs incurred during the year for the City Hall and Fire Station project exceeded \$8.3 million.
- Costs incurred for the Old Village Phase 5 & 6 project exceeded \$5.4 million.

**Table 4
Capital Assets Net of Depreciation**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 3,453,979	\$ 3,453,979	\$ 3,668,869	\$ 3,668,869	\$ 7,122,848	\$ 7,122,848
Construction In Progress	15,400,699	4,903,907	15,221,987	9,961,990	30,622,686	14,865,897
Buildings	2,904,470	2,994,635	-	-	2,904,470	2,994,635
Other Improvements	1,347,725	1,444,544	-	-	1,347,725	1,444,544
Machinery and Equipment	6,102,725	2,905,174	110,168	138,668	6,212,893	3,043,842
Infrastructure	42,589,616	36,987,394	71,075,133	63,264,602	113,664,749	100,251,996
Totals	<u>\$71,799,214</u>	<u>\$52,689,633</u>	<u>\$90,076,157</u>	<u>\$77,034,129</u>	<u>\$161,875,371</u>	<u>\$129,723,762</u>

Debt

At year-end, the City had \$61,209,616 in gross debt versus \$51,280,259 last year (an increase of 19.36 percent), as shown in Table 5. See additional information regarding these issuances in Note 2.D. to the financial statements.

**Table 5
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
G.O. Improvement Bonds	\$ 28,830,000	\$ 26,705,000	\$ 28,440,000	\$ 22,195,000	\$ 57,270,000	\$ 48,900,000
G.O. Equipment Certificates	655,000	755,000	-	-	655,000	755,000
G.O. Tax Abatement Bonds	1,010,000	-	-	-	1,010,000	-
Unamortized Bond Premium	1,110,679	864,553	1,030,720	646,659	2,141,399	1,511,212
Compensated Absences	93,109	85,707	40,108	28,340	133,217	114,047
Totals	<u>\$ 31,698,788</u>	<u>\$ 28,410,260</u>	<u>\$ 29,510,828</u>	<u>\$ 22,869,999</u>	<u>\$ 61,209,616</u>	<u>\$ 51,280,259</u>

**CITY OF LAKE ELMO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- An update to the city's long-range financial management plan was completed in 2022 and now includes inflated averages for capital expenses such as roads and equipment in the 5-10 year horizon. The city is projected to maintain an estimated 2% annual increase in its tax rate over the next 10-year period while still meeting current service needs, adding a public works position, and funding capital needs while maintaining a fund balance above the city's policy of 50-60% of next year's expenses.
- Utility rate adjustments continue in accordance with the city's long-range financial management plan. For 2023, water and sewer rates were increased by 1% and stormwater rates increased by \$10.
- The City Council approved specifications and awarded a contract for Old Village Phase 7 in late 2022, early 2023. This is the last phase of the capital improvement project started in 2015 to bring municipal sewer to the Old Village Downtown area along with reconstructing streets and replacing aging watermain.
- Market interest rates on investments trended higher in 2022 and have continued to increase in 2023. The City is holding various investments that were purchased prior to 2022 that have lower rates of return due to the aforementioned increases. As a result, these investments have significant unrealized losses that would only be recognized if the City had to sell them before maturity. The City has sufficient cash and does not anticipate selling before maturity.
- The city began exploring a site for a new well in 2022. Efforts will continue in 2023 and may include treatment for PFAS contamination. Other major water capital projects on the horizon includes trunk main extensions and connecting existing neighborhoods vulnerable to PFAS to municipal water service.
- The City received a total of \$1,006,489 in American Recover Plan Act (ARPA) funding in two installments in 2021 and 2022. All funds are expected to be expended by the end of 2023. Projects included the extension of fiber to the public works building and municipal sewer trunk mains to city owned land on the western edge of town.
- The City expects to sell some of the 180 acres it owns along Ideal Ave to a developer in 2023 for business/industrial, commercial and housing purposes.
- With its close proximity to Minneapolis/St. Paul downtown area, easy access from a number of state highways, exceptional recreational offerings and low tax rate, Lake Elmo remains an attractive are for new residents and businesses. The city is seeing an increase in development interest for mutli family housing as well as from commercial and business/industrial developers. There remains hundreds of acres available for development in both the downtown area as well as along the I94 corridor.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at 3800 Laverne Avenue North, Lake Elmo, Minnesota 55042.

BASIC FINANCIAL STATEMENTS

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 30,386,795	\$ 18,497,336	\$ 48,884,131
Property Taxes Receivable	116,183	-	116,183
Assessments Receivable	305,849	516,667	822,516
Accounts Receivable	2,736,834	5,815,540	8,552,374
Interest Receivable	29,332	15,000	44,332
Due from Other Governments	2,966	1,429,117	1,432,083
Leases Receivable	1,661,436	-	1,661,436
Capital Assets Not Being Depreciated	18,854,678	18,890,856	37,745,534
Capital Assets Being Depreciated (Net)	52,944,536	71,185,301	124,129,837
Net Pension Asset	597,355	-	597,355
TOTAL ASSETS	107,635,964	116,349,817	223,985,781
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	1,375,926	181,480	1,557,406
LIABILITIES			
Accounts Payable	2,355,274	288,058	2,643,332
Salaries Payable	19,321	13,831	33,152
Construction Contracts Payable	546,423	607,354	1,153,777
Deposits Payable	2,387,837	-	2,387,837
Due to Other Governments	-	176,759	176,759
Payroll Deductions and Employer Contributions	37,652	-	37,652
Unearned Revenue	772,010	575,000	1,347,010
Accrued Interest Payable	341,365	319,427	660,792
Compensated Absences Payable:			
Due Within One Year	69,832	30,081	99,913
Due After One Year	23,277	10,027	33,304
Bonds Payable:			
Due Within One Year	2,480,000	2,325,000	4,805,000
Due After One Year	29,125,679	27,145,720	56,271,399
Net OPEB Liability:			
Due After One Year	71,510	25,071	96,581
Net Pension Liability:			
Due After One Year	2,459,827	491,631	2,951,458
TOTAL LIABILITIES	40,690,007	32,007,959	72,697,966
DEFERRED INFLOWS OF RESOURCES			
Pensions	205,090	10,016	215,106
Leases	1,631,600	-	1,631,600
TOTAL DEFERRED INFLOWS OF RESOURCES	1,836,690	10,016	1,846,706
NET POSITION			
Net Investment in Capital Assets	39,647,112	59,998,083	99,645,195
Restricted	12,475,169	-	12,475,169
Unrestricted	14,362,912	24,515,239	38,878,151
TOTAL NET POSITION	\$ 66,485,193	\$ 84,513,322	\$ 150,998,515

**CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,055,405	\$ 409,126	\$ 26,004	\$ -	\$ (620,275)	\$ -	\$ (620,275)
Public Safety	2,939,066	2,215,965	87,364	-	(635,737)	-	(635,737)
Public Works	4,831,584	58,414	273,154	4,783,094	283,078	-	283,078
Parks and Recreation	415,377	206,340	4,784	-	(204,253)	-	(204,253)
Economic Development	-	24	-	-	24	-	24
Interest and Other Charges	716,093	-	-	-	(716,093)	-	(716,093)
Total Governmental Activities	9,957,525	2,889,869	391,306	4,783,094	(1,893,256)	-	(1,893,256)
Business-Type Activities:							
Water	3,280,875	3,241,839	-	9,739,942	-	9,700,906	9,700,906
Sewer	2,071,858	1,499,393	-	3,523,352	-	2,950,887	2,950,887
Storm Sewer	952,799	543,589	-	1,994,609	-	1,585,399	1,585,399
Total Business-Type Activities	6,305,532	5,284,821	-	15,257,903	-	14,237,192	14,237,192
TOTALS	\$ 16,263,057	\$ 8,174,690	\$ 391,306	\$ 20,040,997	(1,893,256)	14,237,192	12,343,936
General Revenues:							
Property Taxes					7,488,228	-	7,488,228
Franchise Taxes					77,694	-	77,694
Intergovernmental					703,388	2,146	705,534
Investment Earnings (Losses)					(380,657)	(221,053)	(601,710)
Gain (Loss) on Sale of Assets					69,985	-	69,985
Miscellaneous					23,384	-	23,384
Total General Revenues					7,982,022	(218,907)	7,763,115
Capital Asset Transfers					3,261,225	(3,261,225)	-
Total General Revenues and Transfers					11,243,247	(3,480,132)	7,763,115
CHANGE IN NET POSITION					9,349,991	10,757,060	20,107,051
NET POSITION - BEGINNING OF YEAR					57,135,202	73,756,262	130,891,464
NET POSITION - END OF YEAR					\$ 66,485,193	\$ 84,513,322	\$ 150,998,515

**CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General Fund	Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds	Total Governmental Funds
			City Hall / Fire Station Bldg Project Fund	Old Village Phases 5 & 6 Fund		
ASSETS						
Cash, Cash Equivalents, and Investments	\$ 10,744,465	\$ 4,532,084	\$ 7,695,512	\$ 138,829	\$ 7,275,905	\$ 30,386,795
Property Taxes Receivable	116,183	-	-	-	-	116,183
Assessments Receivable	66,113	2,883,901	-	-	54,533	3,004,547
Accounts Receivable	38,136	-	-	-	-	38,136
Interest Receivable	8,406	3,004	11,371	97	6,454	29,332
Due from Other Governments	2,966	-	-	-	-	2,966
Due from Other Funds	-	-	-	-	51,975	51,975
Leases Receivable	1,661,436	-	-	-	-	1,661,436
TOTAL ASSETS	\$ 12,637,705	\$ 7,418,989	\$ 7,706,883	\$ 138,926	\$ 7,388,867	\$ 35,291,370
LIABILITIES						
Accounts Payable	\$ 699,916	\$ 500	\$ 576,411	\$ 10,501	\$ 1,067,946	\$ 2,355,274
Salaries Payable	19,321	-	-	-	-	19,321
Payroll Deductions and Employer Contributions	37,652	-	-	-	-	37,652
Construction Contracts Payable	-	-	409,585	136,838	-	546,423
Deposits Payable	2,387,837	-	-	-	-	2,387,837
Due to Other Funds	-	-	-	-	51,975	51,975
Unearned Revenue	204,900	-	-	-	567,110	772,010
Total Liabilities	3,349,626	500	985,996	147,339	1,687,031	6,170,492
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue:						
Property Taxes	50,127	-	-	-	-	50,127
Special Assessments	66,113	2,882,911	-	-	54,533	3,003,557
Leases	1,631,600	-	-	-	-	1,631,600
Total Deferred Inflows of Resources	1,747,840	2,882,911	-	-	54,533	4,685,284

CITY OF LAKE ELMO, MINNESOTA
BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	General Fund	Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds	Total Governmental Funds
			City Hall / Fire Station Bldg Project Fund	Old Village Phases 5 & 6 Fund		
FUND BALANCES						
Restricted	\$ -	\$ 4,535,578	\$ 1,611,730	\$ -	\$ 3,786,315	\$ 9,933,623
Committed	-	-	-	-	14,120	14,120
Assigned	-	-	5,109,157	-	2,036,583	7,145,740
Unassigned	7,540,239	-	-	(8,413)	(189,715)	7,342,111
Total Fund Balances	<u>7,540,239</u>	<u>4,535,578</u>	<u>6,720,887</u>	<u>(8,413)</u>	<u>5,647,303</u>	<u>24,435,594</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,637,705</u>	<u>\$ 7,418,989</u>	<u>\$ 7,706,883</u>	<u>\$ 138,926</u>	<u>\$ 7,388,867</u>	<u>\$ 35,291,370</u>

**CITY OF LAKE ELMO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Total Fund Balances - Governmental Funds \$ 24,435,594

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds:

Capital Assets	\$ 89,753,963	
Accumulated Depreciation	<u>(17,954,749)</u>	
Capital Assets (Net)		71,799,214

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds Balance Sheet:

Bond Principal Payable	(30,495,000)	
Bond Premium, Net of Accumulated Amortization	(1,110,679)	
Compensated Absences	<u>(93,109)</u>	
		(31,698,788)

The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the governmental funds:

Net OPEB Liability		(71,510)
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The net pension asset/liability and related deferred outflows/inflows represent the allocation of pension obligations to the City. Such balances are not reported in the governmental funds:

Net Pension Asset	597,355	
Net Pension Liability	(2,459,827)	
Deferred Outflows - Pensions	1,375,926	
Deferred Inflows - Pensions	<u>(205,090)</u>	
		(691,636)

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:

(341,365)

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable in the governmental funds:

Property Taxes Receivable	50,127	
Special Assessments Receivable	<u>3,003,557</u>	
		<u>3,053,684</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 66,485,193

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds	Total Governmental Funds
			City Hall / Fire Station Bldg Project Fund	Old Village Phases 5 & 6 Fund		
REVENUES						
Property Taxes	\$ 5,029,144	\$ 2,455,175	\$ -	\$ -	\$ -	\$ 7,484,319
Franchise Taxes	77,694	-	-	-	-	77,694
Special Assessments	-	570,486	-	-	-	570,486
Licenses, Permits, and Fees	1,646,539	-	-	-	-	1,646,539
Intergovernmental	325,566	-	-	-	796,067	1,121,633
Charges for Services	964,422	-	-	-	206,340	1,170,762
Fines	34,711	-	-	-	-	34,711
Investment Earnings (Losses)	(122,133)	(43,722)	(160,473)	(1,697)	(91,828)	(419,853)
Lease Interest	39,196	-	-	-	-	39,196
Miscellaneous	74,273	-	-	-	76,153	150,426
TOTAL REVENUES	8,069,412	2,981,939	(160,473)	(1,697)	986,732	11,875,913
EXPENDITURES						
Current:						
General Government	1,017,210	-	-	-	-	1,017,210
Public Safety	2,701,216	-	-	-	-	2,701,216
Public Works	1,763,030	-	-	-	-	1,763,030
Parks and Recreation	282,789	-	-	-	-	282,789
Capital Outlay	131,666	-	8,338,806	2,433,643	4,008,616	14,912,731
Debt Service:						
Principal	-	1,870,000	-	-	-	1,870,000
Interest and Other Charges	-	522,761	-	40,577	48,298	611,636
TOTAL EXPENDITURES	5,895,911	2,392,761	8,338,806	2,474,220	4,056,914	23,158,612
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,173,501	589,178	(8,499,279)	(2,475,917)	(3,070,182)	(11,282,699)

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund	Capital Project Funds		Total Nonmajor Governmental Funds	Total Governmental Funds
			City Hall / Fire Station Bldg Project Fund	Old Village Phases 5 & 6 Fund		
OTHER FINANCING SOURCES (USES)						
Sale of Assets	\$ -	\$ -	\$ -	\$ -	\$ 76,162	\$ 76,162
Bond Issuance	-	55,499	-	2,020,000	2,829,501	4,905,000
Premium on Bond Issuance	-	-	-	124,187	202,013	326,200
Transfers In	-	-	-	-	252,074	252,074
Transfers Out	(252,074)	-	-	-	-	(252,074)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(252,074)</u>	<u>55,499</u>	<u>-</u>	<u>2,144,187</u>	<u>3,359,750</u>	<u>5,307,362</u>
NET CHANGE IN FUND BALANCES	1,921,427	644,677	(8,499,279)	(331,730)	289,568	(5,975,337)
FUND BALANCES - BEGINNING	<u>5,618,812</u>	<u>3,890,901</u>	<u>15,220,166</u>	<u>323,317</u>	<u>5,357,735</u>	<u>30,410,931</u>
FUND BALANCES - ENDING	<u>\$ 7,540,239</u>	<u>\$ 4,535,578</u>	<u>\$ 6,720,887</u>	<u>\$ (8,413)</u>	<u>\$ 5,647,303</u>	<u>\$ 24,435,594</u>

**CITY OF LAKE ELMO, MINNESOTA
RECONCILIATION OF CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ (5,975,337)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:

Capital Outlay Capitalized - Capital Assets	\$ 14,384,783	
Depreciation Expense	(2,841,415)	
Capital Assets Acquired via Donation	4,311,165	
Capital Assets Transferred from Proprietary Funds	3,261,225	
Loss on Disposal of Assets	(6,177)	
		19,109,581

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:

Bond Principal Repayments	1,870,000	
Bond Issuance	(4,905,000)	
Premium on Bond Issuance	(326,200)	
Amortization of Bond Premium	80,074	
		(3,281,126)

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recognized as an expenditure in the funds only when it is due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

(184,531)

Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes	3,909	
Special Assessments	(210,682)	
		(206,773)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated Absences		(7,402)
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Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net OPEB Liability and Deferred Outflows/Inflows of Resources	9,282	
Net Pension Asset/Liability and Deferred Outflows/Inflows of Resources	(113,703)	
		(104,421)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 9,349,991

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Water Fund	Sewer Fund	Storm Sewer Fund	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,738,584	\$ 11,502,451	\$ 1,256,301	\$ 18,497,336
Assessments Receivable	147,092	337,452	32,123	516,667
Accounts Receivable	239,219	165,091	306,187	710,497
Interest Receivable	4,338	9,578	1,084	15,000
Due from Other Governments	1,429,117	-	-	1,429,117
Total Current Assets	<u>7,558,350</u>	<u>12,014,572</u>	<u>1,595,695</u>	<u>21,168,617</u>
Noncurrent Assets:				
Capital Assets Not Being Depreciated	14,682,205	4,208,651	-	18,890,856
Capital Assets Being Depreciated (Net)	39,254,225	18,222,109	13,708,967	71,185,301
Assessments Receivable	386,429	4,717,277	1,337	5,105,043
Total Noncurrent Assets	<u>54,322,859</u>	<u>27,148,037</u>	<u>13,710,304</u>	<u>95,181,200</u>
TOTAL ASSETS	<u>61,881,209</u>	<u>39,162,609</u>	<u>15,305,999</u>	<u>116,349,817</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	109,550	45,920	26,010	181,480
LIABILITIES				
Current Liabilities:				
Accounts Payable	218,537	64,215	5,306	288,058
Salaries Payable	8,847	3,692	1,292	13,831
Construction Contracts Payable	443,482	163,872	-	607,354
Due to Other Governments	-	176,759	-	176,759
Unearned Revenue	575,000	-	-	575,000
Accrued Interest	145,065	151,558	22,804	319,427
Compensated Absences	19,700	6,784	3,597	30,081
Bonds Due Within One Year	1,200,000	915,000	210,000	2,325,000
Total Current Liabilities	<u>2,610,631</u>	<u>1,481,880</u>	<u>242,999</u>	<u>4,335,510</u>
Noncurrent Liabilities:				
Compensated Absences	6,567	2,261	1,199	10,027
Bonds Due After One Year	12,607,861	12,292,623	2,245,236	27,145,720
Net OPEB Liability	15,131	6,378	3,562	25,071
Net Pension Liability	296,669	124,652	70,310	491,631
Total Noncurrent Liabilities	<u>12,926,228</u>	<u>12,425,914</u>	<u>2,320,307</u>	<u>27,672,449</u>
TOTAL LIABILITIES	<u>15,536,859</u>	<u>13,907,794</u>	<u>2,563,306</u>	<u>32,007,959</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	6,044	2,540	1,432	10,016
NET POSITION				
Net Investment in Capital Assets	39,685,087	9,059,265	11,253,731	59,998,083
Unrestricted	6,762,769	16,238,930	1,513,540	24,515,239
TOTAL NET POSITION	<u>\$ 46,447,856</u>	<u>\$ 25,298,195</u>	<u>\$ 12,767,271</u>	<u>\$ 84,513,322</u>

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Water Fund	Sewer Fund	Storm Sewer Fund	Totals
OPERATING REVENUES				
Charges for Services	\$ 1,761,364	\$ 671,474	\$ 510,061	\$ 2,942,899
OPERATING EXPENSES				
Wages and Benefits	453,262	211,488	118,674	783,424
Materials and Supplies	204,340	26,354	10,885	241,579
Repairs and Maintenance	84,958	25,283	35,370	145,611
Professional Services	98,275	57,067	29,992	185,334
Insurance	11,215	4,477	7,029	22,721
Utilities	176,806	448,325	572	625,703
Miscellaneous	37,158	31,189	13,432	81,779
Depreciation	1,868,224	960,729	691,840	3,520,793
TOTAL OPERATING EXPENSES	<u>2,934,238</u>	<u>1,764,912</u>	<u>907,794</u>	<u>5,606,944</u>
NET OPERATING INCOME (LOSS)	(1,172,874)	(1,093,438)	(397,733)	(2,664,045)
NONOPERATING INCOME (EXPENSE)				
Special Assessments	73,461	2,250,585	253	2,324,299
Intergovernmental	8,164,179	544	307	8,165,030
Connection Fees	1,080,400	801,100	-	1,881,500
Capital Contributions from Private Sources	1,503,597	1,272,767	1,994,356	4,770,720
Investment Earnings (Losses)	(66,764)	(138,866)	(15,423)	(221,053)
Miscellaneous	400,075	26,819	33,528	460,422
Interest and Other Charges	(346,637)	(306,946)	(45,005)	(698,588)
TOTAL NONOPERATING INCOME (EXPENSE)	<u>10,808,311</u>	<u>3,906,003</u>	<u>1,968,016</u>	<u>16,682,330</u>
CHANGE IN NET POSITION PRIOR TO TRANSFERS	9,635,437	2,812,565	1,570,283	14,018,285
TRANSFERS				
Interfund Capital Asset Transfers	(3,261,225)	-	-	(3,261,225)
CHANGE IN NET POSITION	6,374,212	2,812,565	1,570,283	10,757,060
NET POSITION - BEGINNING OF YEAR	<u>40,073,644</u>	<u>22,485,630</u>	<u>11,196,988</u>	<u>73,756,262</u>
NET POSITION - END OF YEAR	<u>\$ 46,447,856</u>	<u>\$ 25,298,195</u>	<u>\$ 12,767,271</u>	<u>\$ 84,513,322</u>

**CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Water Fund	Sewer Fund	Storm Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,623,571	\$ 647,496	\$ 623,680	\$ 2,894,747
Cash Paid to Suppliers	(597,429)	(424,097)	(92,883)	(1,114,409)
Cash Paid to Employees	(400,097)	(187,296)	(104,817)	(692,210)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	626,045	36,103	425,980	1,088,128
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Taxes and Intergovernmental	1,295	544	307	2,146
Other Receipts from Customers	1,090,475	827,919	33,528	1,951,922
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	1,091,770	828,463	33,835	1,954,068
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Special Assessments	106,840	867,924	8,167	982,931
Intergovernmental and Other	7,399,308	-	-	7,399,308
Purchases of Capital Assets	(11,738,573)	(3,032,390)	-	(14,770,963)
Payments on Bond Principal	(825,000)	(315,000)	(205,000)	(1,345,000)
Proceeds from Debt Issuance	4,622,646	3,406,099	-	8,028,745
Cash Paid for Interest and Other Charges	(299,918)	(240,955)	(52,713)	(593,586)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(734,697)	685,678	(249,546)	(298,565)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	(64,999)	(140,185)	(15,750)	(220,934)
Net Change in Cash and Cash Equivalents	918,119	1,410,059	194,519	2,522,697
Cash and Cash Equivalents - Beginning of Year	4,820,465	10,092,392	1,061,782	15,974,639
Cash and Cash Equivalents - End of Year	<u>\$ 5,738,584</u>	<u>\$ 11,502,451</u>	<u>\$ 1,256,301</u>	<u>\$ 18,497,336</u>

CITY OF LAKE ELMO, MINNESOTA
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Water Fund	Sewer Fund	Storm Sewer Fund	Totals
RECONCILIATION OF NET OPERATING				
INCOME (LOSS) TO NET CASH				
PROVIDED (USED) BY OPERATING				
ACTIVITIES				
Net Operating Income (Loss)	\$ (1,172,874)	\$ (1,093,438)	\$ (397,733)	\$ (2,664,045)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	1,868,224	960,729	691,840	3,520,793
Changes in Assets, Liabilities, and Deferrals:				
Accounts Receivable	(23,051)	(23,978)	113,619	66,590
Special Assessments	(114,742)	-	-	(114,742)
Accounts Payable	15,323	12,143	4,397	31,863
Due to Other Governments	-	156,455	-	156,455
Salaries Payable	840	559	(305)	1,094
Compensated Absences	7,283	2,680	1,805	11,768
Net OPEB Liability	3,980	1,282	812	6,074
Net Pension Liability	169,857	73,293	41,807	284,957
Deferred Outflows of Resources - Pensions	(15,289)	(7,745)	(4,823)	(27,857)
Deferred Inflows of Resources - Pensions	(113,506)	(45,877)	(25,439)	(184,822)
NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES	<u>\$ 626,045</u>	<u>\$ 36,103</u>	<u>\$ 425,980</u>	<u>\$ 1,088,128</u>
SCHEDULE OF NONCASH CAPITAL				
AND RELATED FINANCING				
ACTIVITIES				
Contribution of Capital Assets from Private Sources	<u>\$ 1,503,597</u>	<u>\$ 1,272,767</u>	<u>\$ 1,994,356</u>	<u>\$ 4,770,720</u>
Contribution of Capital Assets to Governmental Activities	<u>\$ (3,261,225)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,261,225)</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Lake Elmo, Minnesota (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The City has a mayor-council form of government that is governed by an elected mayor and four-member council. The City provides the following services: water, sewer, and storm sewer utilities, recreation, public improvements, public safety, planning and zoning, and general administrative services.

1.A. FINANCIAL REPORTING ENTITY

The City's financial reporting entity is comprised of the primary governmental unit of the City of Lake Elmo, Minnesota.

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City has the following blended component unit:

Economic Development Authority of the City of Lake Elmo

The Economic Development Authority (EDA) of Lake Elmo is an entity legally separate from the City. The EDA provides services primarily to the City of Lake Elmo and the City Council appoints the EDA's board members. Therefore, the EDA has been reported as a blended component unit of the City. The EDA does not issue its own separate financial statements.

The financial activity of the Authority is performed by the City of Lake Elmo and treated as routine City business.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

Related Organizations

The Lake Elmo Firefighters Relief Association (the Association) is organized as a non-profit organization, legally separate from the City, to provide pension and other benefits to its members in accordance with Minnesota Statutes. Its board of directors is appointed by the membership of the Association and not by the City Council and the Association issues its own set of financial statements. All funding is conducted in accordance with applicable Minnesota Statutes, whereby State aids flow to the Association, and the Association pays benefits directly to its members. Because the Association is fiscally independent of the City, the financial statements of the Association have not been included within the City's reporting entity. The City's portion of the costs of the Association's pension benefits is included in the general fund under public safety.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which the City has none). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

The City reports the following major governmental funds:

The *General Fund* is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

The *Debt Service Fund* accounts for the accumulation of financial resources for the payment of interest and principal on general long-term debt of the City other than debt service payments made by proprietary funds. Ad valorem taxes and special assessments are used for the payment of principal and interest on the City's indebtedness.

The *City Hall / Fire Station Bldg Project Fund* is a capital project fund used to account for financial resources related to the construction of a new City Center/Fire Station and Public Works addition. The project is expected to be completed in 2023.

The *Old Village Phases 5 & 6 Fund* is a capital project fund used to account for financial resources related to the Old Village streets improvement project.

The City reports the following major proprietary funds:

The *Water Fund* accounts for the activities of the City's water distribution operations.

The *Sewer Fund* accounts for revenues and costs associated with the City's sewer system.

The *Storm Sewer Fund* accounts for costs associated with the City's storm sewer system. These costs are financed by the storm sewer surcharge.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.B. BASIS OF PRESENTATION (Continued)

The City reports the following nonmajor governmental fund types:

The *Special Revenue Funds* account for funds received by the City with a specific purpose.

The *Capital Project Funds* account for financial resources to be used for the acquisition or construction of capital projects (other than those financed by proprietary funds).

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the *economic resources* measurement focus as defined in the second bullet point below. In the fund financial statements, the *current financial resources* measurement focus or the *economic resources* measurement focus is used as appropriate:

- All governmental funds utilize a *current financial resources* measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available financial resources during a given period. These funds use fund balance as their measure of available financial resources at the end of the period.
- The government-wide financial statements and proprietary funds utilize an *economic resources* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the *accrual* basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the *modified accrual* basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

Cash and Cash Equivalents

For purposes of the Statements of Net Position, “cash, cash equivalents, and investments” includes all demand, savings, and money market savings accounts for the City, as well as certain investments discussed below. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand, savings, and money market savings accounts, as well as portions of investment balances that are pooled with other funds.

Investments

Investments are stated at their fair value as determined in accordance with the fair value hierarchy. Short-term investments are reported at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. Certificates of deposit are stated at cost, plus accrued interest, which approximates fair market value.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis.

See Note 2.A. for additional information related to Cash, Cash Equivalents, and Investments.

Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to good and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities, as well as interfund receivables and payables between funds within business-type activities, are eliminated in the Statement of Net Position. See Note 2.E. for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable and not deemed necessary at year end. Major receivable balances for the governmental activities include taxes, special assessments and charges for services. Business-type activities report utility charges and assessments as their major receivables.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY

(Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as taxes, assessments, other intergovernmental revenues, fines, and charges for services since they are usually both measurable and available. Revenues collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and assessments compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. No allowances are deemed necessary at year end.

Leases Receivable

Lease receivables are determined based on future lease payments to be received under each corresponding lease agreement over the lease term, discounted using the interest rate applied to the leasing arrangement. If not defined in the lease agreement, implicit interest rates are determined based on the estimated incremental borrowing rate. Collections under the leasing arrangements are recorded as a reduction to the corresponding lease receivable, as well as lease interest revenues.

Upon initial execution of lease, a corresponding deferred inflow of resources balance is recorded. This balance is amortized on a straight-line basis over the term of the lease, resulting in the recognition of lease revenues.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of one year.

The range of estimated useful lives by type of asset is as follows:

Buildings	10-50 years
Other Improvements	10-20 years
Machinery and Equipment	5-25 years
Infrastructure	20-40 years

Government-wide Statements

In the government-wide financial statements, capital outlay expenditures are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY
(Continued)

Accounts Payable

Payables in the governmental and proprietary funds are composed almost entirely of payables to vendors.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused personal time off (PTO), compensatory time, and sick pay benefits. All PTO, compensatory time, and the portion of sick pay allowable as severance pay is accrued as incurred in the government-wide and proprietary fund financial statements. The current portion is calculated based on historical trends.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as the result of an employee's resignation or retirement. In the event a liability is recorded in the governmental funds, General Fund resources would typically be used to liquidate the compensated absences.

Long-Term Debt

The accounting treatment of long-term debt and other long-term debt obligations depends on whether the liabilities pertain to governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, but also includes various other obligations.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Postemployment Benefits Other Than Pensions (OPEB)

Under the provisions of the various employee and union contracts, the City provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

Net Pension Asset/Liability

The net pension asset represents the Lake Elmo Firefighters Relief Association's net pension asset as of the most recent actuarial measurement date. The net pension liability represents the City's allocation of its pro-rata share of the net pension liabilities of the Statewide pension plans administered by the Public Employees Retirement Administration (PERA).

PERA

For purposes of measuring the net pension asset and liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY
(Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the Statements of Net Position report a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The City reports deferred outflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of the pension funds in which City employees participate.

In addition to liabilities, the Statements of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. A previously discussed, the City reports deferred inflows of resources in both the governmental fund Balance Sheet and the government-wide Statement of Net Position in relation to its leasing activities. The City also reports property taxes and special assessments as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available. In addition, the City reports deferred inflows of resources in the government-wide and proprietary fund Statements of Net Position in relation to the activity of pension funds in which City employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension activities.

Equity Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – The portion of net position for which use is constrained by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted – Remaining balance of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either nonspendable, restricted, committed, assigned, or unassigned. When the City incurs an expenditure for which it may use either restricted or unrestricted fund balances, it uses restricted fund balances first unless unrestricted fund balances will have to be returned because they were not used. When the City incurs an expenditure for purposes for which amounts in any unrestricted fund balance classification could be used, it uses fund balances in the following order: Committed, assigned, unassigned.

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. There are no nonspendable fund balances at December 31, 2022.

Restricted – That portion of fund balance which is not available for appropriation, or which has been legally segregated for a specific purpose.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY
(Continued)

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City Council, which is the highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned – Amounts that are constrained by the City’s intent to be used for specific purposes but are neither restricted nor committed. The City Council has delegated the power to assign fund balances to the City Administrator and/or the Finance Director.

Unassigned – This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The City strives to maintain a minimum unassigned fund balance in the General Fund of an amount that is not less than 50% to 60% of the next year’s budgeted expenditures of the General Fund.

See Note 2.F. for additional disclosures.

Proprietary Fund Financial Statements

Proprietary fund equity is classified the same as in the government-wide statements, as described on the previous page.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Under state law, municipalities are limited in their ability to levy a property tax. The City levies its property tax for the subsequent year during the month of December. Washington County is the collecting agency for the levy and remits the collections to the City. In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

The City certifies its levy to the County each year in December, for collection the following year. The County creates the tax list for all taxable property in the City and applies the applicable tax rate to the tax capacity of individual properties to arrive at the actual tax for each property. The County also collects all special assessments, except for certain prepayments paid directly to the City. The County collects all taxes and assessments, except as noted above. The County mails copies of all real estate and personal property tax statements. Each year, property owners are required to pay one half of their real estate taxes by May 15 and the balance by October 15. Penalties and interest are assessed to property owners who do not pay their property taxes and special assessments by the due dates.

Delinquent taxes receivable include the past six years’ uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for taxes not received within 60 days after year end in the fund financial statements.

Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.F. REVENUES, EXPENDITURES, AND EXPENSES (Continued)

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

Within the government-wide financial statements, the City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Within the fund financial statements, the revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments are collected by the County and remitted by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred, and special deferred assessments receivable in governmental funds are completely offset by deferred inflows of resources.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related to financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by Function)
	Capital Outlay
	Debt Service

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, as well as all interfund transfers between individual proprietary funds, have been eliminated. See additional information at Note 2.E.

1.G. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation in the City's Management's Discussion and Analysis and Basic Financial Statements. Such reclassifications have no impact on the change in net position.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.H. RECENTLY ISSUED ACCOUNTING STANDARD

During the current fiscal year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This standard changes previous lease accounting methodology and requires the recognition of all lease assets and liabilities on the Statement of Net Position. Because the overall impact of the changes was not significant, no restatements to beginning net position were necessary.

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, deferred outflows/inflows of resources, equity, revenues, and expenditures/expenses.

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The City complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At December 31, 2022, the City’s deposits, including certificates of deposit, were not exposed to custodial credit risk. The City’s deposits were sufficiently covered by federal depository insurance and collateral held by the City’s agent in the City’s name.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Investments

The City may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City does not have any investment policies that would further limit investment choices.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United State of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment balances at December 31, 2022 are as follows:

Investment Type	S & P's Credit Rating	Fair Value Level	Fair Value	Investment Maturities (in Years)		
				Less Than 1	1 - 5	6 - 10
Money Market Funds	N/A	N/A	\$ 408,582	\$ 408,582	\$ -	\$ -
U.S. Government Bonds	AA+	Level 2	8,007,228	3,853,123	4,154,105	-
Municipal Bonds	A to AAA	Level 2	2,670,506	593,639	1,421,143	655,724
Brokered Certificates of Deposit	NR	Level 2	<u>3,727,992</u>	<u>480,296</u>	<u>3,247,696</u>	<u>-</u>
Totals			<u>\$ 14,814,308</u>	<u>\$ 5,335,640</u>	<u>\$ 8,822,944</u>	<u>\$ 655,724</u>

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.A. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The investments of the City are subject to the following risks:

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the City’s investments. The City’s policy to minimize credit risk includes limiting investing funds to those allowable under Minnesota Statute 118A, annually appointing all financial institutions where investments are held, and diversifying the investment portfolio. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City’s investment policy requires its brokers to be licensed with the appropriate federal and state agencies. A minimum capital requirement of \$10,000,000 and at least five years of operation is mandatory. Investments in securities are held by the City’s broker-dealers. The securities at each broker-dealer are insured \$500,000 through SIPC. Each broker-dealer has provided additional protection by providing additional insurance. This insurance is subject to aggregate limits applied to all of the broker-dealer’s accounts.
- Concentration of Credit Risk is the risk associated with the magnitude of the City’s investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy allows no more than 5 percent of the overall portfolio to be invested in a single issuer, except for the securities of the U.S. Government, or a maximum of 25 percent with any individual counter party in an external investment pool. At December 31, 2022, the City did not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City’s investment policy states that extended maturities may be utilized to take advantage of higher yields; however no more than 25 percent of total investments should extend beyond five years and in no circumstance should any extend beyond ten years. The City’s investment portfolio is structured so that securities mature to meet cash requirements for ongoing operations.

Deposits and Investments Summary

A reconciliation of cash and investments as shown on the Statements of Net Position for the City follows:

Carrying Amount of Deposits	\$	34,069,823
Investments		<u>14,814,308</u>
 Total	 \$	 <u>48,884,131</u>
 <i>Government-wide</i>		
Cash, Cash Equivalents, and Investments	\$	<u>48,884,131</u>

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.B. LEASE RECEIVABLES

The City has executed various arrangements under which the City leases property to external parties. A summary of the pertinent terms for these leasing arrangements, as well as the corresponding lease receivables, is presented below:

Governmental Activities

Description	Original Amount	Total Annual Lease Payment	Interest Rate(s)	Maturity Date	Remaining Amount
Wireless Site Lease	\$ 58,510	\$20,441	3.25%	12/31/2024	\$ 39,636
Wireless Site Lease	548,874	\$2,500 - \$55,902	5.50%	11/30/2047	548,878
Wireless Site Lease	696,030	\$27,987 - \$55,425	3.25%	6/30/2043	681,032
Land Lease	400,078	\$21,012 - \$31,847	3.25%	12/31/2043	391,890
Total Governmental Activities Lease Receivables					<u>\$ 1,661,436</u>

During the year ended December 31, 2022, the City recognized revenues from leasing activities under the arrangements above within governmental activities in the amount of \$111,088.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is as follows:

	Balance at 01/01/22	Additions	Disposals	Transfers	Balance at 12/31/22
<i>Governmental Activities</i>					
Capital Assets not Being Depreciated					
Land	\$ 3,453,979	\$ -	\$ -	\$ -	\$ 3,453,979
Construction In Progress	<u>4,903,907</u>	<u>14,070,567</u>	<u>-</u>	<u>(3,573,775)</u>	<u>15,400,699</u>
Total Capital Assets not Being Depreciated	8,357,886	14,070,567	-	(3,573,775)	18,854,678
Capital Assets Being Depreciated					
Buildings	4,330,670	-	-	-	4,330,670
Other Improvements	2,780,348	-	-	-	2,780,348
Machinery and Equipment	5,824,177	314,216	(197,042)	3,261,225	9,202,576
Infrastructure	<u>46,700,751</u>	<u>4,311,165</u>	<u>-</u>	<u>3,573,775</u>	<u>54,585,691</u>
Total Capital Assets Being Depreciated	59,635,946	4,625,381	(197,042)	6,835,000	70,899,285
Less: Accumulated Depreciation					
Buildings	(1,336,035)	(90,165)	-	-	(1,426,200)
Other Improvements	(1,335,804)	(96,820)	-	-	(1,432,624)
Machinery and Equipment	(2,919,003)	(371,713)	190,865	-	(3,099,851)
Infrastructure	<u>(9,713,357)</u>	<u>(2,282,717)</u>	<u>-</u>	<u>-</u>	<u>(11,996,074)</u>
Total Accumulated Depreciation	<u>(15,304,199)</u>	<u>(2,841,415)</u>	<u>190,865</u>	<u>-</u>	<u>(17,954,749)</u>
Total Capital Assets Being Depreciated, Net	<u>44,331,747</u>	<u>1,783,966</u>	<u>(6,177)</u>	<u>6,835,000</u>	<u>52,944,536</u>
Capital Assets, Net	<u>\$ 52,689,633</u>	<u>\$ 15,854,533</u>	<u>\$ (6,177)</u>	<u>\$ 3,261,225</u>	<u>\$ 71,799,214</u>

Depreciation is charged to governmental activities as follows:

General Government	\$ 11,911
Public Safety	178,479
Public Works	2,527,129
Parks and Recreation	<u>123,896</u>
Total Depreciation Expense	<u>\$ 2,841,415</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.C. CAPITAL ASSETS (Continued)

	<u>Balance at</u> 01/01/22	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance at</u> 12/31/22
<i>Business-Type Activities</i>					
Capital Assets not Being Depreciated					
Land	\$ 3,668,869	\$ -	\$ -	\$ -	\$ 3,668,869
Construction In Progress	<u>9,961,990</u>	<u>14,870,831</u>	<u>-</u>	<u>(9,610,834)</u>	<u>15,221,987</u>
Total Capital Assets not Being Depreciated	13,630,859	14,870,831	-	(9,610,834)	18,890,856
Capital Assets Being Depreciated					
Machinery and Equipment	413,699	-	-	-	413,699
Infrastructure	<u>77,831,857</u>	<u>4,953,215</u>	<u>-</u>	<u>6,349,609</u>	<u>89,134,681</u>
Total Capital Assets Being Depreciated	78,245,556	4,953,215	-	6,349,609	89,548,380
Less: Accumulated Depreciation					
Machinery and Equipment	(275,031)	(28,500)	-	-	(303,531)
Infrastructure	<u>(14,567,255)</u>	<u>(3,492,293)</u>	<u>-</u>	<u>-</u>	<u>(18,059,548)</u>
Total Accumulated Depreciation	<u>(14,842,286)</u>	<u>(3,520,793)</u>	<u>-</u>	<u>-</u>	<u>(18,363,079)</u>
Total Capital Assets Being Depreciated, Net	<u>63,403,270</u>	<u>1,432,422</u>	<u>-</u>	<u>6,349,609</u>	<u>71,185,301</u>
Capital Assets, Net	<u>\$ 77,034,129</u>	<u>\$ 16,303,253</u>	<u>\$ -</u>	<u>\$ (3,261,225)</u>	<u>\$ 90,076,157</u>

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Debt Detail

General Obligation Bonds and Certificates

The City of Lake Elmo issues general obligation bonds and certificates to finance the acquisition and construction of major capital facilities and infrastructure throughout the City. General obligation bonds and certificates have been issued for both activities pertaining to governmental and business-type operations. All bonds are direct obligations of the City and pledge the full faith and credit of the City. As of December 31, 2022, the long-term debt of the financial reporting entity, excluding compensated absences payable and the net pension and OPEB liabilities, consists of the following:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i>				
General Obligation Improvement Bonds:				
GO Refunding Bonds, Series 2010B	\$ 1,970,000	1.00 - 3.20%	2025	\$ 555,000
GO Improvement Bonds, Series 2012B	865,000	0.50 - 1.90%	2023	95,000
GO Improvement Bonds, Series 2014A	2,850,000	2.00 - 3.50%	2030	1,385,000
GO Improvement Bonds, Series 2015A	1,620,000	2.00 - 3.00%	2026	650,000
GO Improvement Bonds, Series 2016A	2,690,000	2.00 - 2.00%	2027	1,410,000
GO Improvement Bonds, Series 2017A	4,565,000	2.50 - 2.50%	2028	2,860,000
GO Improvement Bonds, Series 2019A	2,860,000	2.00 - 3.00%	2035	2,355,000
GO Improvement Bonds, Series 2021A	15,675,000	1.75 - 3.00%	2042	15,625,000
GO Improvement Bonds, Series 2022A	3,895,000	3.00 - 5.00%	2038	<u>3,895,000</u>
Total General Obligation Improvement Bonds				28,830,000
General Obligation Equipment Certificates:				
GO Equipment Certificates, Series 2018A	940,000	2.70 - 2.70%	2028	655,000
General Obligation Tax Abatement Bonds:				
GO Tax Abatement Bonds, Series 2022A	1,010,000	3.00 - 5.00%	2033	<u>1,010,000</u>
Total Governmental Activities Debt				<u>\$ 30,495,000</u>
<i>Business-Type Activities</i>				
General Obligation Revenue Bonds:				
GO Refunding Bonds, Series 2012A	\$ 4,035,000	2.00 - 2.50%	2030	\$ 2,530,000
GO Improvement Bonds, Series 2014A	3,385,000	2.00 - 3.50%	2030	1,940,000
GO Improvement Bonds, Series 2015A	1,195,000	2.00 - 3.00%	2031	770,000
GO Improvement Bonds, Series 2016A	6,855,000	2.00 - 2.00%	2032	4,790,000
GO Improvement Bonds, Series 2017A	4,480,000	2.50 - 3.00%	2033	3,440,000
GO Improvement Bonds, Series 2019A	1,195,000	2.00 - 3.00%	2035	1,070,000
GO Improvement Bonds, Series 2021A	6,310,000	1.75 - 3.00%	2037	6,310,000
GO Improvement Bonds, Series 2022A	7,590,000	3.00 - 5.00%	2037	<u>7,590,000</u>
Total Business-Type Activities Debt				<u>\$ 28,440,000</u>

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities, excluding the net pension and OPEB liabilities, for the year ended December 31, 2022:

Type of Debt	Balance 01/01/22	Additions	Deductions	Balance 12/31/22	Amounts Due Within One Year
<i>Governmental Activities</i>					
G.O. Improvement Bonds	\$ 26,705,000	\$ 3,895,000	\$ (1,770,000)	\$ 28,830,000	\$ 2,380,000
G.O. Equipment Certificates	755,000	-	(100,000)	655,000	100,000
G.O. Tax Abatement Bonds	-	1,010,000	-	1,010,000	-
Unamortized Bond Premium	864,553	326,200	(80,074)	1,110,679	-
Compensated Absences	<u>85,707</u>	<u>-</u>	<u>7,402</u>	<u>93,109</u>	<u>69,832</u>
Total	<u>\$ 28,410,260</u>	<u>\$ 5,231,200</u>	<u>\$ (1,942,672)</u>	<u>\$ 31,698,788</u>	<u>\$ 2,549,832</u>
<i>Business-Type Activities</i>					
G.O. Revenue Bonds	\$ 22,195,000	\$ 7,590,000	\$ (1,345,000)	\$ 28,440,000	\$ 2,325,000
Unamortized Bond Premium	646,659	438,745	(54,684)	1,030,720	-
Compensated Absences	<u>28,340</u>	<u>-</u>	<u>11,768</u>	<u>40,108</u>	<u>30,081</u>
Total	<u>\$ 22,869,999</u>	<u>\$ 8,028,745</u>	<u>\$ (1,387,916)</u>	<u>\$ 29,510,828</u>	<u>\$ 2,355,081</u>

Governmental activity debt is typically funded through the Debt Service Fund. Business-Type activity debt is typically funded through the Water Fund, Sewer Fund, Storm Sewer Fund. Compensated absences are funded through the funds to which the respective employees' wages are allocated.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.D. NONCURRENT LIABILITIES (Continued)

Annual Debt Service Requirements

At December 31, 2022, the estimated annual debt service requirements to maturity, including principal and interest and excluding compensated absences payable and net pension and OPEB liabilities, are as follows:

Years Ending December 31,	Governmental Activities					
	G.O. Improvement Bonds			G.O. Equipment Certificates		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 2,380,000	\$ 728,167	\$ 3,108,167	\$ 100,000	\$ 16,336	\$ 116,336
2024	2,520,000	666,738	3,186,738	105,000	13,568	118,568
2025	2,500,000	593,287	3,093,287	110,000	10,665	120,665
2026	2,370,000	521,879	2,891,879	110,000	7,695	117,695
2027	2,270,000	453,576	2,723,576	115,000	4,656	119,656
2028-2032	7,485,000	1,463,787	8,948,787	115,000	1,551	116,551
2033-2037	6,145,000	692,894	6,837,894	-	-	-
2038-2042	3,160,000	163,260	3,323,260	-	-	-
Totals	\$ 28,830,000	\$ 5,283,588	\$ 34,113,588	\$ 655,000	\$ 54,471	\$ 709,471

Years Ending December 31,	Governmental Activities			Business-Type Activities		
	G.O. Tax Abatement Bonds			G.O. Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ -	\$ 43,796	\$ 43,796	\$ 2,325,000	\$ 775,011	\$ 3,100,011
2024	80,000	43,700	123,700	2,190,000	721,408	2,911,408
2025	85,000	39,575	124,575	2,255,000	656,721	2,911,721
2026	90,000	35,200	125,200	2,310,000	589,783	2,899,783
2027	95,000	30,575	125,575	2,375,000	520,563	2,895,563
2028-2032	540,000	77,950	617,950	11,470,000	1,513,126	12,983,126
2033-2037	120,000	1,800	121,800	5,515,000	343,929	5,858,929
Totals	\$ 1,010,000	\$ 272,596	\$ 1,282,596	\$ 28,440,000	\$ 5,120,541	\$ 33,560,541

Interest expense totals \$1,332,788 in the Statement of Activities (included in Debt Service, Water, Sewer, and Storm Sewer lines). Interest expenditures total \$519,487 for the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (included in the line Interest and Other Charges) and \$628,771 in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds (included in the line Interest and Other Charges).

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.E. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers consist of the following for the year ended December 31, 2022:

Major Funds	Transfers Out	Transfers In	
General	\$ 252,074	Nonmajor Capital Project Funds	Total
	<u>\$ 252,074</u>	<u>\$ 252,074</u>	<u>\$ 252,074</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at year-end are as follows:

Short-Term Balances		Amount	Reason
Due To Fund	Due From Fund		
Infrastructure Reserve Fund	CSAH 15 Manning Avenue Phase 3 Fund	\$ 3,525	Eliminate negative cash
Infrastructure Reserve Fund	TH36 Lake Elmo Avenue Improvements Fund	2,515	Eliminate negative cash
Infrastructure Reserve Fund	Old Village Phase 7 Fund	34,601	Eliminate negative cash
Infrastructure Reserve Fund	2023 Street Improvements Fund	<u>11,334</u>	Eliminate negative cash
Total Short-Term Interfund Balance		51,975	
Government Fund Elimination		<u>(51,975)</u>	
Government-wide Internal Balances		<u>\$ -</u>	

Interfund balances are to be repaid as cash flows become available.

2.F. FUND EQUITY

At December 31, 2022, governmental fund equity consists of the following:

	Restricted	Committed	Assigned	Unassigned
General Fund				
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,540,239</u>
Debt Service Fund				
Restricted for Debt Service	<u>\$ 4,535,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)

2.F. FUND EQUITY (Continued)

At December 31, 2022, governmental fund equity consists of the following:

	Restricted	Committed	Assigned	Unassigned
City Hall/Fire Station Bldg Project Fund				
Restricted for Capital Projects	\$ 1,611,730	\$ -	\$ -	\$ -
Assigned for City Hall/Fire Station Project	<u>-</u>	<u>-</u>	<u>5,109,157</u>	<u>-</u>
Total City Hall/Fire Station Bldg Project Fund Balance	<u>\$ 1,611,730</u>	<u>\$ -</u>	<u>\$ 5,109,157</u>	<u>\$ -</u>
 Old Village Phases 5 & 6 Fund				
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,413)</u>
 Nonmajor Governmental Funds				
Restricted for Capital Projects	\$ 707,880	\$ -	\$ -	\$ -
Restricted for Park Improvements	2,078,435	-	-	-
Restricted for the Development of Ball Parks	1,000,000	-	-	-
Committed for Lions Park	-	14,120	-	-
Assigned for Economic Development Authority	-	-	11,943	-
Assigned for Vehicle Acquisition	-	-	1,261,670	-
Assigned for Infrastructure Reserve	-	-	631,399	-
Assigned for City Facilities	-	-	95,397	-
Assigned for Manning and Hudson Future Stoplight	-	-	7,797	-
Assigned for Railroad Crossing Improvements	-	-	27,711	-
Assigned for Manning and Highway 36 Interchange	-	-	666	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(189,715)</u>
Total Nonmajor Governmental Funds Balance	<u>\$ 3,786,315</u>	<u>\$ 14,120</u>	<u>\$ 2,036,583</u>	<u>\$ (189,715)</u>

Deficit fund balances in individual funds at December 31, 2022 consist of the following:

Major Governmental Fund	Fund Deficit
Old Village Phases 5 & 6 Fund	<u>\$ (8,413)</u>
 Nonmajor Governmental Funds	
ARPA Fund	<u>\$ (3,605)</u>
CSAH 13 Phase 2 Fund	<u>\$ (51,717)</u>
CSAH 15 Manning Avenue Phase 3 Fund	<u>\$ (3,525)</u>
CSAH 15 Manning Avenue & 30th Street Fund	<u>\$ (20,343)</u>
TH36 Lake Elmo Avenue Improvements Fund	<u>\$ (2,710)</u>
Old Village Phase 7 Fund	<u>\$ (54,720)</u>
2023 Street Improvements Fund	<u>\$ (53,095)</u>

Fund deficits are expected to be recovered through future assessments, tax levies, tax increment, or transfers.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full time and certain part-time employees of the City of Lake Elmo are covered by the General Employees Retirement Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by State Statute and can only be modified by the State Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20 percent for each of the first 10 years of service and 1.70 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City’s contributions to the General Employees Fund for the year ended December 31, 2022 were \$132,383. The City’s contributions were equal to the required contributions as set by State Statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in the fiscal year 2022 and the City was required to contribute 17.70 percent for the Police and Fire Plan members. The City’s contributions to the Police and Fire Fund for the year ended December 31, 2022 were \$49,674. The City’s contributions were equal to the required contributions as set by State Statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,837,447 for its proportionate share of the General Employees Fund’s net pension liability. The City’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the City totaled \$53,688.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0232 percent at the end of the measurement period and 0.0202 percent for the beginning of the period.

City’s proportionate share of the net pension liability:	\$1,837,447
State of Minnesota’s proportionate share of the net pension liability associated with the City	53,688
Total	\$1,891,135

For the year ended December 31, 2022, the City recognized pension expense of \$316,594 for its proportionate share of the General Employees Plan’s pension expense. In addition, the City recognized an additional \$8,022 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

At December 31, 2022, the City reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,348	\$ 17,090
Changes in actuarial assumptions	363,699	6,507
Difference between projected and actual investment earnings	113,685	-
Changes in proportionate share	115,391	13,839
Contributions paid to PERA subsequent to the measurement date	65,264	-
Total Deferred Outflows/Inflows	\$ 673,387	\$ 37,436

The \$65,264 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2023	\$ 206,919
2024	\$ 193,863
2025	\$ 3,735
2026	\$ 166,170

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,114,011 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportionate share of the net pension liability was based on the City’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA’s participating employers. The City’s proportionate share was 0.0256 percent at the end of the measurement period and 0.0165 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct State aid that does meet the definition of a special funding situation and \$9 million in supplemental State aid that does not meet the definition of a special funding situation. The \$9 million direct State was paid on October 1, 2021. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental State aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct State aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$228,714 for its proportionate share of the Police and Fire Plan’s pension expense. The City recognized \$9,433 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental State aid. The City recognized \$2,304 for the year ended December 31, 2022 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

City’s proportionate share of the net pension liability:	\$1,114,011
State of Minnesota’s proportionate share of the net pension liability associated with the City	<u>48,633</u>
Total	<u>\$1,162,644</u>

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 58,037	\$ -
Changes in actuarial assumptions	573,177	4,239
Difference between projected and actual investment earnings	113,915	-
Changes in proportionate share	103,837	15,911
Contributions paid to PERA subsequent to the measurement date	<u>25,527</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 874,493</u>	<u>\$ 20,150</u>

The \$25,527 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Pension Expense
2023	\$ 197,086
2024	\$ 162,056
2025	\$ 147,637
2026	\$ 217,642
2027	\$ 104,395

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	25.00%	5.90%
Total	100%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.50 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.50 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA’s experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire Plan were completed in 2020 and were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions:

- There have been no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

Pension Liability Sensitivity

The following table presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis						
Net Pension Liability at Different Discount Rates						
	General Employees Fund			Police and Fire Fund		
1% Decrease in Discount Rate	5.50%	\$	2,902,345	4.40%	\$	1,685,913
Current Discount Rate	6.50%	\$	1,837,448	5.40%	\$	1,114,011
1% Increase in Discount Rate	7.50%	\$	964,068	6.40%	\$	651,663

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION

Plan Description

Firefighters of the City of Lake Elmo are members of the Lake Elmo Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A, and the Association’s by-laws. As of the most recent valuation date, membership includes 19 active participants and 8 inactive members who are entitled to future benefits. The plan issues a stand-alone financial statement.

Benefits Provided

Each member who is at least 50 years of age, has retired from the Lake Elmo Fire Department, has served at least 20 years of active service with such department before retirement, and has been a member of the Association in good standing at least 10 years prior to such retirement shall be entitled to a lump sum service pension in the amount of \$5,850 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Pursuant to *Minnesota Statutes* §424A.02, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$5,850 for each year the member was an active member of the City of Lake Elmo Fire Department. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if State tax law is modified to exclude lump sum distributions from State income tax. The Association qualifies for these benefits.

Contributions

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are specified in Minnesota Statutes. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations).

The plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$99,778 in fire state aid, which the City remitted to the Relief Association during the year ended December 31, 2022. Required employer contributions are calculated annually based on statutory provisions. The City did not have a statutorily-required contribution to the plan for the year ended December 31, 2022.

Pension Costs

At December 31, 2022, the City of Lake Elmo reported a net pension asset of \$597,355 for the Firefighters Relief Association’s plan. The net pension asset was measured as of December 31, 2021, as determined by an actuarial valuation as of January 1, 2021.

For the year ended December 31, 2022, the City recognized pension expense of negative \$108,156 for the Association. The City also recognized \$80,470, as pension expense (and grant revenue) for State of Minnesota’s contributions to the Association during the measurement period.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION (Continued)

The following table presents the changes in net pension asset during the measurement period.

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Beginning Balance 12/31/20	\$ 775,033	\$ 1,280,455	\$ (505,422)
Service Cost	46,677	-	46,677
Interest on Pension Liability	43,140	-	43,140
Projected Investment Earnings	-	68,948	(68,948)
Contributions (State)	-	80,470	(80,470)
Asset (Gain)/Loss	-	47,138	(47,138)
Administrative Fee	-	(14,806)	14,806
Net Changes	<u>89,817</u>	<u>181,750</u>	<u>(91,933)</u>
Balance End of Year 12/31/21	<u>\$ 864,850</u>	<u>\$ 1,462,205</u>	<u>\$ (597,355)</u>

At December 31, 2022, the City of Lake Elmo reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 79,470
Changes in actuarial assumptions	9,526	-
Difference between projected and actual investment earnings	<u>-</u>	<u>78,050</u>
Total Deferred Outflows/Inflows	<u>\$ 9,526</u>	<u>\$ 157,520</u>

Amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Pension Expense</u>
2023	\$ (24,774)
2024	\$ (50,799)
2025	\$ (35,470)
2026	\$ (23,568)
2027	\$ (10,669)
2028-2032	\$ (2,714)

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION (Continued)

Actuarial Assumptions

The total pension asset measured at December 31, 2021 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	Rates
Investment Rate of Return (Discount)	5.25%
Expected Long-Term Rate of Return	5.25%
Salary Increases	2.50%
Interest on Deferred Amounts	0.00%

There were no changes to actuarial assumptions, plan provisions, or methods since the prior valuation.

Pension Liability Sensitivity

The following presents the City’s net pension asset for the Firefighters Relief Association’s plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City’s net pension asset would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

	1% Decrease in Discount Rate (4.25%)	Discount Rate (5.25%)	1% Increase in Discount Rate (6.25%)
Net Pension Asset	\$ 565,283	\$ 597,355	\$ 628,315

Plan Investments

Asset Allocation

The long-term expected rate of return on pension plan investments is 5.25 percent. The target allocation and best estimates of geometric real rates of return for each major asset class of the Association’s pension fund investments are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	15.00%	1.80%
Fixed Income	22.00%	3.00%
Equities	62.00%	6.80%
Other	1.00%	7.00%

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the City Hall at 3800 Laverne Avenue North, Lake Elmo, Minnesota 55042.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City administers a single-employer defined benefit plan (the Plan) that provides health insurance to eligible employees and their spouses through the City's health insurance plan. As of the most recent actuarial valuation date, there are 23 active employees electing coverage and no retirees electing coverage. Benefit and eligibility provisions are established through negotiations between the City and the City's employees. The Plan does not issue a publicly available financial report.

Benefits Provided

At retirement, employees of the City receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the City's group insurance plan. Vesting requirements of three years if hired before July 1, 2010 or five years if hired on or after July 1, 2010 generally apply.

The City is legally required to include any retirees for who it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

Contributions

The City has historically funded these liabilities on a pay-as-you-go basis, in the amounts contractually required to satisfy the benefit terms discussed above. For the year ended December 31, 2022, the City did not make any direct contributions to the plan.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources

At December 31, 2022, the City reported a net OPEB liability of \$96,581 for the City's plan. The net OPEB liability was measured as of December 31, 2021, based on an actuarial valuation as of December 31, 2021.

For the year ended December 31, 2022, the City recognized OPEB expense of negative \$3,208.

In accordance with the Alternative Measurement Method, gains and losses due to experience and assumption changes are recognized immediately. In addition, there were no contributions between the measurement date and reporting date because the City has no retirees and no active employees who were expected to retire during 2022. Therefore, there are no deferred outflows or inflows of resources related to OPEB as of December 31, 2022.

**CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB liability for the year ended December 31, 2022:

Changes in Total OPEB Liability (TOL)	
Balance at January 1st	\$ 99,789
Service Cost	15,989
Interest Cost	2,300
Changes in Assumptions	(4,833)
Differences between Expected and Actual Experience	(15,088)
Benefit Payments	<u>(1,576)</u>
Balance at December 31st	<u>\$ 96,581</u>

Actuarial Assumptions

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

<u>Actuarial Information:</u>	
Valuation Date	December 31, 2021
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry Age Normal level percentage of pay
Actuarial Assets	None
<u>Actuarial Assumptions:</u>	
Discount Rate	1.84%
Inflation	2.50%
Bond Yield	2.50%
Medical Trend Rate	6.80% for 2022, gradually decreasing to an ultimate rate of 3.90% by 2075 and later years
Dental Trend Rate	None

Mortality rates were based on the Pub-2010 General mortality tables with projected mortality improvements based on scale MP-2021, and other adjustments.

Changes to actuarial assumptions since the prior valuation:

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan valuation to the rates used in the 7/1/2022 valuation.

Changes to plan provisions since the prior valuation:

- Retiree premiums were updated to current levels.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 5 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Net OPEB Liability Sensitivity

The following presents the net OPEB liability, calculated using the discount rate disclosed in the preceding section, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
	Rates	Amounts
1% Increase in Discount Rate	2.84%	\$89,403
Current Discount Rate	1.84%	\$96,581
1% Decrease in Discount Rate	0.84%	\$104,405

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Cost Trend Rate	
	Amounts
1% Increase in Healthcare Trend Rates	\$109,514
Current Healthcare Trend Rates	\$96,581
1% Decrease in Healthcare Trend Rates	\$86,036

NOTE 6 OTHER NOTES

6.A. RISK MANAGEMENT

Claims and Judgements

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the City purchases commercial insurance. The City retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The City’s management is not aware of any incurred but not reported claims.

6.B. OTHER EMPLOYEE BENEFITS

The City provides eligible employees future retirement benefits through participation in the Minnesota Deferred Compensation Plan (MNDCP), which is a Section 457 plan administered by the Minnesota State Retirement System. Eligible employees of the City may begin participating in the MNDCP commencing on the date of their employment by electing to have a portion of their pay contributed to the Plan. Certain employees are eligible to receive a City match of employee contributions up to the qualifying amounts set forth in their employment contracts, and there are no vesting requirements related to such contributions. The City’s contributions to the plan total \$3,167 for the year ended December 31, 2022.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 6 OTHER NOTES (Continued)

6.C. NEW ACCOUNTING STANDARD

In May 2020, the Government Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 (GASB 96) increases the usefulness of governmental financial statements by requiring recognition of right-to-use assets and liabilities for subscription-based information technology arrangements. GASB 96 will be effective for the City's fiscal year ended December 31, 2023. The effect on net position may be significant.

6.D. COMMITMENTS

During the year, the City entered into various contracts for construction services. At December 31, 2022, remaining commitments related to these projects total \$8,463,608.

6.E. SUBSEQUENT EVENTS

Subsequent to year end but prior to the issuance of these financial statements, the City accepted bids for various construction projects and engineering services in the amount of \$5,125,667.

Additionally, the City issued G.O. Improvement Bonds in the amount of \$5,880,000 to finance these projects.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF LAKE ELMO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts - Original and Final	Actual Amounts Budgetary Basis	Variance with Budget Over (Under)
REVENUES			
Taxes			
Property Taxes	\$ 5,013,574	\$ 5,029,060	\$ 15,486
Franchise Taxes	50,000	77,694	27,694
Gravel Tax	-	84	84
Total Taxes	5,063,574	5,106,838	43,264
Licenses and Permits	1,048,000	1,646,539	598,539
Intergovernmental Revenue			
State Revenue			
Market Value Credit	-	4,137	4,137
Police and Fire Aid	76,608	99,778	23,170
Other State Grants and Aids	177,009	207,647	30,638
County Revenue			
Other County Grants and Aids	10,000	14,004	4,004
Total Intergovernmental Revenue	263,617	325,566	61,949
Charges for Services			
General Government	233,246	362,171	128,925
Other Public Safety	545,000	601,435	56,435
Streets and Highways	1,500	816	(684)
Total Charges for Services	779,746	964,422	184,676
Fines and Forfeitures	35,000	34,711	(289)
Miscellaneous Revenue			
Investment Earnings (Losses)	38,500	(122,133)	(160,633)
Lease Interest	-	39,196	39,196
Refunds and Reimbursements	5,000	25,637	20,637
Contributions and Donations	11,000	14,185	3,185
Other Miscellaneous	4,100	34,451	30,351
Total Miscellaneous Revenue	58,600	(8,664)	(67,264)
TOTAL REVENUES	7,248,537	8,069,412	820,875

CITY OF LAKE ELMO, MINNESOTA
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Budget Amounts - Original and Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Budget Over (Under)</u>
EXPENDITURES			
General Government			
Mayor and Council	56,203	53,131	(3,072)
Administration and Finance	718,279	572,394	(145,885)
Other General Government	<u>486,608</u>	<u>391,685</u>	<u>(94,923)</u>
Total General Government	1,261,090	1,017,210	(243,880)
Public Safety			
Police			
Current	948,210	947,044	(1,166)
Fire			
Current	1,071,061	863,360	(207,701)
Capital Outlay	92,286	78,628	(13,658)
Building Inspections			
Current	1,008,746	808,620	(200,126)
Other Public Safety			
Current	<u>84,136</u>	<u>82,192</u>	<u>(1,944)</u>
Total Public Safety	3,204,439	2,779,844	(424,595)
Public Works			
Street Maintenance and Storm Sewers	1,916,868	1,636,690	(280,178)
Snow and Ice Removal	62,000	57,401	(4,599)
Street Engineering	14,000	9,934	(4,066)
Street Lighting	45,000	59,005	14,005
Capital Outlay - Other	<u>256,350</u>	<u>53,038</u>	<u>(203,312)</u>
Total Public Works	2,294,218	1,816,068	(478,150)
Culture and Recreation			
Parks and Recreation			
Current	<u>321,536</u>	<u>282,789</u>	<u>(38,747)</u>
TOTAL EXPENDITURES	<u>7,081,283</u>	<u>5,895,911</u>	<u>(1,185,372)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	167,254	2,173,501	2,006,247
OTHER FINANCING SOURCES (USES)			
Transfers			
To Other Funds	<u>(167,254)</u>	<u>(252,074)</u>	<u>(84,820)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	1,921,427	<u>\$ 1,921,427</u>
FUND BALANCE - BEGINNING		<u>5,618,812</u>	
FUND BALANCE - ENDING		<u>\$ 7,540,239</u>	

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS (Presented Prospectively)

For the Measurement Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<i>General Employees Retirement Pension Plan</i>							
2022	0.0232%	\$ 1,837,447	\$ 53,688	\$ 1,891,135	\$ 1,776,733	106.4%	76.7%
2021	0.0202%	\$ 862,631	\$ 26,322	\$ 888,953	\$ 1,456,866	61.0%	87.0%
2020	0.0207%	\$ 1,241,060	\$ 38,201	\$ 1,279,261	\$ 1,476,621	86.6%	79.1%
2019	0.0193%	\$ 1,067,054	\$ 33,165	\$ 1,100,219	\$ 1,364,625	80.6%	80.2%
2018	0.0191%	\$ 1,059,590	\$ 34,710	\$ 1,094,300	\$ 1,283,088	85.3%	79.5%
2017	0.0189%	\$ 1,206,564	\$ 15,173	\$ 1,221,737	\$ 1,209,466	101.0%	75.9%
2016	0.0159%	\$ 1,291,001	\$ 16,853	\$ 1,307,854	\$ 1,041,540	125.6%	68.9%
2015	0.0169%	\$ 875,846	\$ -	\$ 875,846	\$ 975,250	89.8%	78.2%
2014	0.0191%	\$ 897,222	\$ -	\$ 897,222	\$ 979,703	91.6%	78.2%
<i>Public Employees Police and Fire Pension Plan</i>							
2022	0.0256%	\$ 1,114,011	\$ 48,633	\$ 1,162,644	\$ 292,842	397.0%	70.5%
2021	0.0165%	\$ 127,363	\$ 5,712	\$ 133,075	\$ 194,379	68.5%	93.7%
2020	0.0171%	\$ 225,396	\$ 5,309	\$ 230,705	\$ 194,511	118.6%	87.2%
2019	0.0193%	\$ 205,468	\$ 2,605	\$ 208,073	\$ 203,030	102.5%	89.3%
2018	0.0163%	\$ 173,741	\$ 1,467	\$ 175,208	\$ 172,287	101.7%	88.8%
2017	0.0100%	\$ 135,012	\$ -	\$ 135,012	\$ 105,846	127.6%	85.4%
2016	0.0090%	\$ 361,186	\$ -	\$ 361,186	\$ 87,111	414.6%	63.9%
2015	0.0090%	\$ 102,261	\$ -	\$ 102,261	\$ 86,600	118.1%	86.6%
2014	0.0090%	\$ 97,204	\$ -	\$ 97,204	\$ 84,098	115.6%	87.1%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 (June 30, 2014 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Fiscal Year Ended December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
<i>General Employees Retirement Pension Plan</i>					
2022	\$ 132,383	\$ 132,383	\$ -	\$ 1,765,107	7.5%
2021	\$ 120,362	\$ 120,362	\$ -	\$ 1,609,407	7.5%
2020	\$ 109,289	\$ 109,289	\$ -	\$ 1,457,195	7.5%
2019	\$ 108,779	\$ 108,779	\$ -	\$ 1,450,387	7.5%
2018	\$ 96,960	\$ 96,960	\$ -	\$ 1,294,100	7.5%
2017	\$ 95,794	\$ 95,794	\$ -	\$ 1,276,944	7.5%
2016	\$ 85,649	\$ 85,649	\$ -	\$ 1,141,987	7.5%
2015	\$ 70,582	\$ 70,582	\$ -	\$ 941,092	7.5%
2014	\$ 73,182	\$ 73,182	\$ -	\$ 1,009,407	7.2%
<i>Public Employees Police and Fire Pension Plan</i>					
2022	\$ 49,674	\$ 49,674	\$ -	\$ 280,644	17.7%
2021	\$ 47,658	\$ 47,658	\$ -	\$ 269,254	17.7%
2020	\$ 27,492	\$ 27,492	\$ -	\$ 155,365	17.7%
2019	\$ 39,225	\$ 39,225	\$ -	\$ 231,416	16.9%
2018	\$ 30,990	\$ 30,990	\$ -	\$ 191,350	16.2%
2017	\$ 20,327	\$ 20,327	\$ -	\$ 125,475	16.2%
2016	\$ 13,967	\$ 13,967	\$ -	\$ 86,216	16.2%
2015	\$ 14,257	\$ 14,257	\$ -	\$ 88,005	16.2%
2014	\$ 13,035	\$ 13,035	\$ -	\$ 85,195	15.3%
<i>Volunteer Fire Relief Association</i>					
2022	\$ -	\$ -	\$ -	N/A	N/A
2021	\$ -	\$ 76,608	\$ (76,608)	N/A	N/A
2020	\$ -	\$ 69,975	\$ (69,975)	N/A	N/A
2019	\$ -	\$ 65,533	\$ (65,533)	N/A	N/A
2018	\$ -	\$ 61,147	\$ (61,147)	N/A	N/A
2017	\$ -	\$ 59,136	\$ (59,136)	N/A	N/A
2016	\$ -	\$ 61,166	\$ (61,166)	N/A	N/A

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2014 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
FIREFIGHTERS RELIEF ASSOCIATION
LAST TEN YEARS (Presented Prospectively)

	Measurement Year Ended December 31,						
	2021	2020	2019	2018	2017	2016	2015
Changes in Total Pension Liability (TPL)							
Balance at January 1st	\$ 775,033	\$ 724,844	\$ 898,899	\$ 681,802	\$ 618,531	\$ 588,689	\$ 714,621
Service Cost	46,677	38,225	37,293	28,420	27,727	27,579	28,520
Interest on the TPL	43,140	39,743	42,177	36,119	35,544	36,976	37,130
Assumption Changes	-	-	-	8,730	-	11,690	-
Plan Changes	-	-	-	325,127	-	-	-
Actuarial Experience (Gains)/Losses	-	(27,779)	-	(80,312)	-	(46,403)	-
Benefit Payments	-	-	(253,525)	(100,987)	-	-	(191,582)
Balance at December 31st	<u>\$ 864,850</u>	<u>\$ 775,033</u>	<u>\$ 724,844</u>	<u>\$ 898,899</u>	<u>\$ 681,802</u>	<u>\$ 618,531</u>	<u>\$ 588,689</u>
Plan Fiduciary Net Position (PFNP)							
Balance at January 1st	\$ 1,280,455	\$ 1,097,917	\$ 1,169,306	\$ 1,279,379	\$ 1,075,446	\$ 963,628	\$ 1,155,598
Fire State Aid	80,470	76,608	69,975	65,533	61,147	59,136	61,166
Projected Investment Income	68,948	118,822	127,902	(61,227)	156,879	70,101	(48,240)
Gain or Loss	47,138	-	-	-	-	-	-
Total Additions	<u>196,556</u>	<u>195,430</u>	<u>197,877</u>	<u>4,306</u>	<u>218,026</u>	<u>129,237</u>	<u>12,926</u>
Benefit Payments	-	-	(253,525)	(100,987)	-	-	(191,582)
Administrative Expenses	<u>(14,806)</u>	<u>(12,892)</u>	<u>(15,741)</u>	<u>(13,392)</u>	<u>(14,093)</u>	<u>(17,419)</u>	<u>(13,314)</u>
Total Reductions	<u>(14,806)</u>	<u>(12,892)</u>	<u>(269,266)</u>	<u>(114,379)</u>	<u>(14,093)</u>	<u>(17,419)</u>	<u>(204,896)</u>
Balance at December 31st	<u>\$ 1,462,205</u>	<u>\$ 1,280,455</u>	<u>\$ 1,097,917</u>	<u>\$ 1,169,306</u>	<u>\$ 1,279,379</u>	<u>\$ 1,075,446</u>	<u>\$ 963,628</u>
Net Pension Liability (Asset) - December 31st	<u>\$ (597,355)</u>	<u>\$ (505,422)</u>	<u>\$ (373,073)</u>	<u>\$ (270,407)</u>	<u>\$ (597,577)</u>	<u>\$ (456,915)</u>	<u>\$ (374,939)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Asset)	169.1%	165.2%	151.5%	130.1%	187.6%	173.9%	163.7%

Note: The schedule is provided prospectively with the City's fiscal year ended December 31, 2016 (December 31, 2015 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CHANGES IN CITY'S NET OPEB LIABILITY
LAST TEN YEARS (Presented Prospectively)

	Measurement Year Ended December 31,				
	2022	2021	2020	2019	2018
Changes in Total OPEB Liability (TOL)					
Balance at January 1st	\$ 99,789	\$ 79,303	\$ 73,788	\$ 63,930	\$ 51,220
Service Cost	15,989	13,859	9,793	9,525	8,200
Interest on the TPL	2,300	2,541	3,101	2,431	2,264
Assumption Changes	(4,833)	5,583	6,912	(2,098)	2,246
Differences Between Expected and Actual Experience	(15,088)	-	(14,291)	-	-
Benefit Payments	(1,576)	(1,497)	-	-	-
Balance at December 31st	<u>\$ 96,581</u>	<u>\$ 99,789</u>	<u>\$ 79,303</u>	<u>\$ 73,788</u>	<u>\$ 63,930</u>
Covered Payroll for Active Members	<u>\$ 1,743,100</u>	<u>\$ 1,455,967</u>	<u>\$ 1,831,326</u>	<u>\$ 1,605,997</u>	<u>\$ 1,483,782</u>
Net OPEB Liability / Covered Payroll	5.5%	6.9%	4.3%	4.6%	4.3%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2019 (December 31, 2018 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF CITY OPEB CONTRIBUTIONS
LAST TEN YEARS (Presented Prospectively)

For the Year Ended December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll	
<i>Other Post-Employment Benefits</i>						
2022	\$	-	\$	-	\$ 1,786,678	0.0%
2021	\$	-	\$	-	\$ 1,743,100	0.0%
2020	\$	-	\$	-	\$ 1,455,967	0.0%
2019	\$	-	\$	-	\$ 1,831,326	0.0%
2018	\$	-	\$	-	\$ 1,605,997	0.0%
2017	\$	-	\$	-	\$ 1,483,782	0.0%

Note: The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2017 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 1 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State’s contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60.00 percent to 70.00 percent. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual State aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – POLICE AND FIRE FUND (Continued)

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

NOTE 3 DEFINED BENEFIT PENSION PLAN – FIREFIGHTERS RELIEF ASSOCIATION

2021 Changes

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2018 Changes

Changes in Actuarial Assumptions

- There have been no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- The benefit level increased from \$3,400 to \$5,850 for each year of service.

CITY OF LAKE ELMO, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bonds rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan valuation to the rates used in the 7/1/2022 valuation.

Changes in Plan Provisions

- Retiree premiums were updated to current levels.

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.75 percent to 2.00 percent.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.71 percent to 2.75 percent based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans. In addition, the medical trend rate adjustments to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans was removed because the tax was repealed.
- Medical per capita claims costs were updated to reflect recent experience.
- Salary increase rates were updated from the rates used in the July 1, 2017 PERA General Employees Plan valuation to the rates used in the July 1, 2019 valuation.
- Mortality rates were updated from the RP-2014 tables to the rates used in the July 1, 2019 PERA General Employees Plan actuarial valuation.
- The inflation assumption was changed from 2.75 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

2019 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.31 percent to 3.71 percent.

Changes in Plan Provisions

- There have been no changes in plan provisions since the previous valuation.

SUPPLEMENTARY INFORMATION

**CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash, Cash Equivalents, and Investments	\$ 476,880	\$ 6,799,025	\$ 7,275,905
Assessments Receivable	-	54,533	54,533
Interest Receivable	439	6,015	6,454
Due from Other Funds	<u>-</u>	<u>51,975</u>	<u>51,975</u>
TOTAL ASSETS	<u>\$ 477,319</u>	<u>\$ 6,911,548</u>	<u>\$ 7,388,867</u>
LIABILITIES			
Accounts Payable	\$ 158,981	\$ 908,965	\$ 1,067,946
Due to Other Funds	-	51,975	51,975
Unearned Revenue	<u>295,880</u>	<u>271,230</u>	<u>567,110</u>
Total Liabilities	454,861	1,232,170	1,687,031
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Special Assessments	-	54,533	54,533
FUND BALANCES			
Restricted	-	3,786,315	3,786,315
Committed	14,120	-	14,120
Assigned	11,943	2,024,640	2,036,583
Unassigned	<u>(3,605)</u>	<u>(186,110)</u>	<u>(189,715)</u>
Total Fund Balances	<u>22,458</u>	<u>5,624,845</u>	<u>5,647,303</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 477,319</u>	<u>\$ 6,911,548</u>	<u>\$ 7,388,867</u>

CITY OF LAKE ELMO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Total Nonmajor Special Revenue Funds	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 683,942	\$ 112,125	\$ 796,067
Charges for Services	6,600	199,740	206,340
Investment Earnings (Losses)	(6,339)	(85,489)	(91,828)
Miscellaneous	24	76,129	76,153
TOTAL REVENUES	<u>684,227</u>	<u>302,505</u>	<u>986,732</u>
EXPENDITURES			
Capital Outlay	683,942	3,324,674	4,008,616
Debt Service:			
Interest and Other Charges	-	48,298	48,298
TOTAL EXPENDITURES	<u>683,942</u>	<u>3,372,972</u>	<u>4,056,914</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	285	(3,070,467)	(3,070,182)
OTHER FINANCING SOURCES (USES)			
Sale of Assets	-	76,162	76,162
Bond Issuance	-	2,829,501	2,829,501
Premium on Bond Issuance	-	202,013	202,013
Transfers In	-	252,074	252,074
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>3,359,750</u>	<u>3,359,750</u>
NET CHANGE IN FUND BALANCES	285	289,283	289,568
FUND BALANCES - BEGINNING	<u>22,173</u>	<u>5,335,562</u>	<u>5,357,735</u>
FUND BALANCES - ENDING	<u>\$ 22,458</u>	<u>\$ 5,624,845</u>	<u>\$ 5,647,303</u>

**CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2022**

	Lions Park Sign Program Fund	Economic Development Authority Fund	ARPA Fund	Total Nonmajor Special Revenue Funds
ASSETS				
Cash, Cash Equivalents, and Investments	\$ 14,109	\$ 11,933	\$ 450,838	\$ 476,880
Interest Receivable	<u>11</u>	<u>10</u>	<u>418</u>	<u>439</u>
TOTAL ASSETS	<u>\$ 14,120</u>	<u>\$ 11,943</u>	<u>\$ 451,256</u>	<u>\$ 477,319</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 158,981	\$ 158,981
Unearned Revenue	-	-	<u>295,880</u>	<u>295,880</u>
Total Liabilities	-	-	454,861	454,861
FUND BALANCES				
Committed	14,120	-	-	14,120
Assigned	-	11,943	-	11,943
Unassigned	<u>-</u>	<u>-</u>	<u>(3,605)</u>	<u>(3,605)</u>
Total Fund Balances	<u>14,120</u>	<u>11,943</u>	<u>(3,605)</u>	<u>22,458</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,120</u>	<u>\$ 11,943</u>	<u>\$ 451,256</u>	<u>\$ 477,319</u>

**CITY OF LAKE ELMO, MINNESOTA
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2022**

	Lions Park Sign Program Fund	Economic Development Authority Fund	ARPA Fund	Total Nonmajor Special Revenue Funds
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 683,942	\$ 683,942
Charges for Services	6,600	-	-	6,600
Investment Earnings (Losses)	(153)	(137)	(6,049)	(6,339)
Miscellaneous	-	24	-	24
TOTAL REVENUES	<u>6,447</u>	<u>(113)</u>	<u>677,893</u>	<u>684,227</u>
EXPENDITURES				
Capital Outlay	-	-	683,942	683,942
NET CHANGE IN FUND BALANCES	6,447	(113)	(6,049)	285
FUND BALANCES - BEGINNING	<u>7,673</u>	<u>12,056</u>	<u>2,444</u>	<u>22,173</u>
FUND BALANCES - ENDING	<u>\$ 14,120</u>	<u>\$ 11,943</u>	<u>\$ (3,605)</u>	<u>\$ 22,458</u>

**CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2022**

	Park Dedication Fund	Vehicle Acquisition Fund	Heritage Farms Street & Utility Improvements Fund	Infrastructure Reserve Fund	City Facilities Fund	Manning & Hudson Future Stoplight Fund	CSAH 19 / Hudson Blvd Interchange Fund
ASSETS							
Cash, Cash Equivalents, and Investments	\$ 3,076,165	\$ 1,260,363	\$ 238,540	\$ 578,913	\$ 95,309	\$ 257,560	\$ -
Assessments Receivable	-	-	-	54,533	-	-	-
Interest Receivable	2,862	1,307	146	511	88	237	-
Due from Other Funds	-	-	-	51,975	-	-	-
TOTAL ASSETS	\$ 3,079,027	\$ 1,261,670	\$ 238,686	\$ 685,932	\$ 95,397	\$ 257,797	\$ -
LIABILITIES							
Accounts Payable	\$ 592	\$ -	\$ 8,780	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	250,000	-
Total Liabilities	592	-	8,780	-	-	250,000	-
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue: Special Assessments	-	-	-	54,533	-	-	-
FUND BALANCES							
Restricted	3,078,435	-	229,906	-	-	-	-
Assigned	-	1,261,670	-	631,399	95,397	7,797	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balance	<u>3,078,435</u>	<u>1,261,670</u>	<u>229,906</u>	<u>631,399</u>	<u>95,397</u>	<u>7,797</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,079,027	\$ 1,261,670	\$ 238,686	\$ 685,932	\$ 95,397	\$ 257,797	\$ -

CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET (Continued)
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2022

	CSAH 13 Phase 2 Fund	Inwood & 5th Street Stoplight Fund	Railroad Crossing Improvements Fund	CSAH 15 Manning Avenue Phase 3 Fund	Manning & Highway 36 Interchange Fund	Tamarack Farm Estates Street Improvements Fund	CSAH 15 Manning Avenue & 30th Street Fund
ASSETS							
Cash, Cash Equivalents, and Investments							
Assessments Receivable	\$ 115,359	\$ -	\$ 50,744	\$ -	\$ 597	\$ 119,430	\$ 639,226
Interest Receivable	-	-	-	-	-	-	-
Due from Other Funds	84	-	66	-	69	111	238
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 115,443</u>	<u>\$ -</u>	<u>\$ 50,810</u>	<u>\$ -</u>	<u>\$ 666</u>	<u>\$ 119,541</u>	<u>\$ 639,464</u>
LIABILITIES							
Accounts Payable	\$ 167,160	\$ -	\$ 1,869	\$ -	\$ -	\$ 64	\$ 659,807
Due to Other Funds	-	-	-	3,525	-	-	-
Unearned Revenue	-	-	21,230	-	-	-	-
Total Liabilities	<u>167,160</u>	<u>-</u>	<u>23,099</u>	<u>3,525</u>	<u>-</u>	<u>64</u>	<u>659,807</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue: Special Assessments	-	-	-	-	-	-	-
FUND BALANCES							
Restricted	-	-	-	-	-	119,477	-
Assigned	-	-	27,711	-	666	-	-
Unassigned	(51,717)	-	-	(3,525)	-	-	(20,343)
Total Fund Balance	<u>(51,717)</u>	<u>-</u>	<u>27,711</u>	<u>(3,525)</u>	<u>666</u>	<u>119,477</u>	<u>(20,343)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 115,443</u>	<u>\$ -</u>	<u>\$ 50,810</u>	<u>\$ -</u>	<u>\$ 666</u>	<u>\$ 119,541</u>	<u>\$ 639,464</u>

CITY OF LAKE ELMO, MINNESOTA
COMBINING BALANCE SHEET (Continued)
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2022

	TH36 Lake Elmo Avenue Improvements Fund	2022 Street Improvements Fund	Old Village Phase 7 Fund	2023 Street Improvements Fund	Total Nonmajor Capital Project Funds
ASSETS					
Cash, Cash Equivalents, and Investments					
Assessments Receivable	\$ -	\$ 366,819	\$ -	\$ -	\$ 6,799,025
Interest Receivable	-	-	-	-	54,533
Due from Other Funds	-	296	-	-	6,015
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,975</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 367,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,911,548</u>
LIABILITIES					
Accounts Payable	\$ 195	\$ 8,618	\$ 20,119	\$ 41,761	\$ 908,965
Due to Other Funds	2,515	-	34,601	11,334	51,975
Unearned Revenue	-	-	-	-	271,230
Total Liabilities	<u>2,710</u>	<u>8,618</u>	<u>54,720</u>	<u>53,095</u>	<u>1,232,170</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue: Special Assessments	-	-	-	-	54,533
FUND BALANCES					
Restricted	-	358,497	-	-	3,786,315
Assigned	-	-	-	-	2,024,640
Unassigned	(2,710)	-	(54,720)	(53,095)	(186,110)
Total Fund Balance	<u>(2,710)</u>	<u>358,497</u>	<u>(54,720)</u>	<u>(53,095)</u>	<u>5,624,845</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ -</u>	<u>\$ 367,115</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,911,548</u>

CITY OF LAKE ELMO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Park Dedication Fund	Vehicle Acquisition Fund	Heritage Farms Street & Utility Improvements Fund	Infrastructure Reserve Fund	City Facilities Fund	Manning & Hudson Future Stoplight Fund	CSAH 19 / Hudson Blvd Interchange Fund
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,409
Charges for Services	199,740	-	-	-	-	-	-
Investment Earnings (Losses)	(40,984)	(18,620)	(2,189)	(7,371)	(1,258)	(3,400)	-
Miscellaneous	-	1,129	-	75,000	-	-	-
TOTAL REVENUES	<u>158,756</u>	<u>(17,491)</u>	<u>(2,189)</u>	<u>67,629</u>	<u>(1,258)</u>	<u>(3,400)</u>	<u>63,409</u>
EXPENDITURES							
Capital Outlay	104,541	505,216	(100,144)	227	-	-	-
Debt Service:							
Interest and Other Charges	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>104,541</u>	<u>505,216</u>	<u>(100,144)</u>	<u>227</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	54,215	(522,707)	97,955	67,402	(1,258)	(3,400)	63,409
OTHER FINANCING SOURCES (USES)							
Sale of Assets	-	76,162	-	-	-	-	-
Bond Issuance	-	-	-	-	-	-	-
Premium on Bond Issuance	-	-	-	-	-	-	-
Transfers In	-	150,000	-	-	-	-	73,872
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>226,162</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,872</u>
NET CHANGE IN FUND BALANCES	54,215	(296,545)	97,955	67,402	(1,258)	(3,400)	137,281
FUND BALANCES- BEGINNING	<u>3,024,220</u>	<u>1,558,215</u>	<u>131,951</u>	<u>563,997</u>	<u>96,655</u>	<u>11,197</u>	<u>(137,281)</u>
FUND BALANCES - ENDING	<u>\$ 3,078,435</u>	<u>\$ 1,261,670</u>	<u>\$ 229,906</u>	<u>\$ 631,399</u>	<u>\$ 95,397</u>	<u>\$ 7,797</u>	<u>\$ -</u>

CITY OF LAKE ELMO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	CSAH 13 Phase 2 Fund	Inwood & 5th Street Stoplight Fund	Railroad Crossing Improvements Fund	CSAH 15 Manning Avenue Phase 3 Fund	Manning & Highway 36 Interchange Fund	Tamarack Farm Estates Street Improvements Fund	CSAH 15 Manning Avenue & 30th Street Fund
REVENUES							
Intergovernmental	\$ 48,716	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	-	-	-	-	-	-
Investment Earnings (Losses)	(1,100)	-	(967)	-	(998)	(1,607)	(3,118)
Miscellaneous	-	-	-	-	-	-	-
TOTAL REVENUES	<u>47,616</u>	<u>-</u>	<u>(967)</u>	<u>-</u>	<u>(998)</u>	<u>(1,607)</u>	<u>(3,118)</u>
EXPENDITURES							
Capital Outlay	426,255	-	39,541	-	-	4,364	736,605
Debt Service:							
Interest and Other Charges	<u>5,490</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,965</u>
TOTAL EXPENDITURES	<u>431,745</u>	<u>-</u>	<u>39,541</u>	<u>-</u>	<u>-</u>	<u>4,364</u>	<u>747,570</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(384,129)	-	(40,508)	-	(998)	(5,971)	(750,688)
OTHER FINANCING SOURCES (USES)							
Sale of Assets	-	-	-	-	-	-	-
Bond Issuance	319,002	-	-	-	-	-	670,052
Premium on Bond Issuance	32,295	-	-	-	-	-	67,834
Transfers In	<u>-</u>	<u>28,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>351,297</u>	<u>28,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>737,886</u>
NET CHANGE IN FUND BALANCES	(32,832)	28,202	(40,508)	-	(998)	(5,971)	(12,802)
FUND BALANCES- BEGINNING	<u>(18,885)</u>	<u>(28,202)</u>	<u>68,219</u>	<u>(3,525)</u>	<u>1,664</u>	<u>125,448</u>	<u>(7,541)</u>
FUND BALANCES - ENDING	<u>\$ (51,717)</u>	<u>\$ -</u>	<u>\$ 27,711</u>	<u>\$ (3,525)</u>	<u>\$ 666</u>	<u>\$ 119,477</u>	<u>\$ (20,343)</u>

CITY OF LAKE ELMO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	TH36 Lake Elmo Avenue Improvements Fund	2022 Street Improvements Fund	Old Village Phase 7 Fund	2023 Street Improvements Fund	Total Nonmajor Capital Project Funds
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 112,125
Charges for Services	-	-	-	-	199,740
Investment Earnings (Losses)	-	(3,877)	-	-	(85,489)
Miscellaneous	-	-	-	-	76,129
TOTAL REVENUES	-	(3,877)	-	-	302,505
EXPENDITURES					
Capital Outlay	1,008	1,499,246	54,720	53,095	3,324,674
Debt Service:					
Interest and Other Charges	-	31,843	-	-	48,298
TOTAL EXPENDITURES	1,008	1,531,089	54,720	53,095	3,372,972
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,008)	(1,534,966)	(54,720)	(53,095)	(3,070,467)
OTHER FINANCING SOURCES (USES)					
Sale of Assets	-	-	-	-	76,162
Bond Issuance	-	1,840,447	-	-	2,829,501
Premium on Bond Issuance	-	101,884	-	-	202,013
Transfers In	-	-	-	-	252,074
TOTAL OTHER FINANCING SOURCES (USES)	-	1,942,331	-	-	3,359,750
NET CHANGE IN FUND BALANCES	(1,008)	407,365	(54,720)	(53,095)	289,283
FUND BALANCES- BEGINNING	(1,702)	(48,868)	-	-	5,335,562
FUND BALANCES - ENDING	<u>\$ (2,710)</u>	<u>\$ 358,497</u>	<u>\$ (54,720)</u>	<u>\$ (53,095)</u>	<u>\$ 5,624,845</u>

**CITY OF LAKE ELMO, MINNESOTA
SUPPLEMENTAL COMBINING BALANCE SHEET
DEBT SERVICE FUND
DECEMBER 31, 2022**

	2010B GO CIP Bonds Fund	2011A GO Improvement Bonds Fund	2012B GO Improvement Bonds Fund	2014A GO Improvement Bonds Fund	2015A GO Improvement Bonds Fund	2016A GO Improvement Bonds Fund
ASSETS						
Cash, Cash Equivalents, and Investments	\$ 201,199	\$ -	\$ 56,074	\$ 968,484	\$ 129,599	\$ 689,126
Assessments Receivable	-	-	17,261	116,018	283,560	490,719
Interest Receivable	110	-	16	796	83	512
TOTAL ASSETS	<u>\$ 201,309</u>	<u>\$ -</u>	<u>\$ 73,351</u>	<u>\$ 1,085,298</u>	<u>\$ 413,242</u>	<u>\$ 1,180,357</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue:						
Special Assessments	-	-	17,261	115,707	283,560	490,719
FUND BALANCES						
Restricted	201,309	-	56,090	969,591	129,682	689,638
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 201,309</u>	<u>\$ -</u>	<u>\$ 73,351</u>	<u>\$ 1,085,298</u>	<u>\$ 413,242</u>	<u>\$ 1,180,357</u>

CITY OF LAKE ELMO, MINNESOTA
SUPPLEMENTAL COMBINING BALANCE SHEET (Continued)
DEBT SERVICE FUND
DECEMBER 31, 2022

	2017A GO Improvement Bonds Fund	2019 Improvement Bonds Fund	2018A GO Equipment Cert. Bonds Fund	2021A GO Improvement Bonds Fund	2022A GO Improvement Bonds Fund	Total Debt Service Fund
ASSETS						
Cash, Cash Equivalents, and Investments	\$ 189,235	\$ 744,591	\$ 29,504	\$ 1,469,914	\$ 54,358	\$ 4,532,084
Assessments Receivable	413,862	255,518	-	1,306,963	-	2,883,901
Interest Receivable	<u>22</u>	<u>555</u>	<u>-</u>	<u>889</u>	<u>21</u>	<u>3,004</u>
TOTAL ASSETS	<u>\$ 603,119</u>	<u>\$ 1,000,664</u>	<u>\$ 29,504</u>	<u>\$ 2,777,766</u>	<u>\$ 54,379</u>	<u>\$ 7,418,989</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ -	\$ 500	\$ -	\$ 500
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue:						
Special Assessments	413,862	254,839	-	1,306,963	-	2,882,911
FUND BALANCES						
Restricted	<u>189,257</u>	<u>745,825</u>	<u>29,504</u>	<u>1,470,303</u>	<u>54,379</u>	<u>4,535,578</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 603,119</u>	<u>\$ 1,000,664</u>	<u>\$ 29,504</u>	<u>\$ 2,777,766</u>	<u>\$ 54,379</u>	<u>\$ 7,418,989</u>

CITY OF LAKE ELMO, MINNESOTA
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	2010B GO CIP Bonds Fund	2011A GO Improvement Bonds Fund	2012B GO Improvement Bonds Fund	2014A GO Improvement Bonds Fund	2015A GO Improvement Bonds Fund	2016A GO Improvement Bonds Fund
REVENUES						
Property Taxes	\$ 207,076	\$ -	\$ 65,417	\$ 200,394	\$ 14,508	\$ 193,934
Special Assessments	-	5,128	18,285	40,025	60,924	104,513
Investment Earnings (Losses)	(1,656)	865	(208)	(11,600)	(2,415)	(7,505)
TOTAL REVENUES	<u>205,420</u>	<u>5,993</u>	<u>83,494</u>	<u>228,819</u>	<u>73,017</u>	<u>290,942</u>
EXPENDITURES						
Debt Service:						
Principal	175,000	90,000	95,000	225,000	165,000	265,000
Interest and Other Charges	20,333	1,035	3,203	43,970	17,087	30,850
TOTAL EXPENDITURES	<u>195,333</u>	<u>91,035</u>	<u>98,203</u>	<u>268,970</u>	<u>182,087</u>	<u>295,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	10,087	(85,042)	(14,709)	(40,151)	(109,070)	(4,908)
OTHER FINANCING SOURCES (USES)						
Bond Issuance	-	-	-	-	-	-
Transfers In	-	-	-	-	96,401	-
Transfers Out	-	(96,401)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(96,401)</u>	<u>-</u>	<u>-</u>	<u>96,401</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	10,087	(181,443)	(14,709)	(40,151)	(12,669)	(4,908)
FUND BALANCES - BEGINNING	<u>191,222</u>	<u>181,443</u>	<u>70,799</u>	<u>1,009,742</u>	<u>142,351</u>	<u>694,546</u>
FUND BALANCES - ENDING	<u>\$ 201,309</u>	<u>\$ -</u>	<u>\$ 56,090</u>	<u>\$ 969,591</u>	<u>\$ 129,682</u>	<u>\$ 689,638</u>

CITY OF LAKE ELMO, MINNESOTA
SUPPLEMENTAL COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Continued)
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	2017A GO Improvement Bonds Fund	2019 Improvement Bonds Fund	2018A GO Equipment Cert. Bonds Fund	2021A GO Improvement Bonds Fund	2022A GO Improvement Bonds Fund	Total Debt Service Fund
REVENUES						
Property Taxes	\$ 344,104	\$ 295,301	\$ 126,404	\$ 1,008,037	\$ -	\$ 2,455,175
Special Assessments	54,644	70,091	-	216,876	-	570,486
Investment Earnings (Losses)	(649)	(7,974)	(26)	(12,285)	(269)	(43,722)
TOTAL REVENUES	<u>398,099</u>	<u>357,418</u>	<u>126,378</u>	<u>1,212,628</u>	<u>(269)</u>	<u>2,981,939</u>
EXPENDITURES						
Debt Service:						
Principal	440,000	265,000	100,000	50,000	-	1,870,000
Interest and Other Charges	76,999	69,315	19,035	240,083	851	522,761
TOTAL EXPENDITURES	<u>516,999</u>	<u>334,315</u>	<u>119,035</u>	<u>290,083</u>	<u>851</u>	<u>2,392,761</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(118,900)	23,103	7,343	922,545	(1,120)	589,178
OTHER FINANCING SOURCES (USES)						
Bond Issuance	-	-	-	-	55,499	55,499
Transfers In	-	-	-	-	-	96,401
Transfers Out	-	-	-	-	-	(96,401)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,499</u>	<u>55,499</u>
NET CHANGE IN FUND BALANCES	(118,900)	23,103	7,343	922,545	54,379	644,677
FUND BALANCES - BEGINNING	<u>308,157</u>	<u>722,722</u>	<u>22,161</u>	<u>547,758</u>	<u>-</u>	<u>3,890,901</u>
FUND BALANCES - ENDING	<u>\$ 189,257</u>	<u>\$ 745,825</u>	<u>\$ 29,504</u>	<u>\$ 1,470,303</u>	<u>\$ 54,379</u>	<u>\$ 4,535,578</u>

**CITY OF LAKE ELMO, MINNESOTA
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

	Issue Dates	Interest Rates	Maturity Dates	Initial Authorized Issue	Outstanding Balance 01/01/22	Issued	Paid	Outstanding Balance 12/31/22	Principal Due Within One Year
GOVERNMENTAL INDEBTEDNESS									
<u>General Obligation Improvement Bonds</u>									
2010B G.O. Refunding Bonds	11/30/2010	1.00 - 3.20%	2/1/2025	\$ 1,970,000	\$ 730,000	\$ -	\$ 175,000	\$ 555,000	\$ 180,000
2011A G.O. Improvement Bonds	10/26/2011	0.50 - 2.30%	2/1/2022	845,000	90,000	-	90,000	-	-
2012B G.O. Improvement Bonds	8/16/2012	0.50 - 1.90%	2/1/2023	865,000	190,000	-	95,000	95,000	95,000
2014A G.O. Improvement Bonds	7/15/2014	2.00 - 3.50%	1/15/2030	2,850,000	1,610,000	-	225,000	1,385,000	225,000
2015A G.O. Improvement Bonds	8/13/2015	2.00 - 3.00%	1/15/2026	1,620,000	815,000	-	165,000	650,000	170,000
2016A G.O. Improvement Bonds	6/8/2016	2.00%	1/15/2027	2,690,000	1,675,000	-	265,000	1,410,000	275,000
2017A G.O. Improvement Bonds	6/8/2017	2.50%	1/15/2028	4,565,000	3,300,000	-	440,000	2,860,000	455,000
2019A G.O. Improvement Bonds	10/24/2019	2.00 - 3.00%	2/1/2035	2,860,000	2,620,000	-	265,000	2,355,000	275,000
2021A G.O. Improvement Bonds	12/7/2021	1.75 - 3.00%	2/1/2042	15,675,000	15,675,000	-	50,000	15,625,000	705,000
2022A G.O. Improvement Bonds	8/16/2022	3.00 - 5.00%	2/1/2038	3,895,000	-	3,895,000	-	3,895,000	-
				<u>37,835,000</u>	<u>26,705,000</u>	<u>3,895,000</u>	<u>1,770,000</u>	<u>28,830,000</u>	<u>2,380,000</u>
<u>General Obligation Equipment Certificates</u>									
2018A G.O. Equipment Certificates	10/16/2018	2.70%	2/1/2028	940,000	755,000	-	100,000	655,000	100,000
<u>General Obligation Tax Abatement Bonds</u>									
2022A G.O. Tax Abatement Bonds	8/16/2022	3.00 - 5.00%	2/1/2033	1,010,000	-	1,010,000	-	1,010,000	-
TOTAL GOVERNMENTAL DEBTS				<u>39,785,000</u>	<u>27,460,000</u>	<u>4,905,000</u>	<u>1,870,000</u>	<u>30,495,000</u>	<u>2,480,000</u>
BUSINESS-TYPE INDEBTEDNESS									
<u>General Obligation Revenue Bonds</u>									
2012A G.O. Water Crossover Refunding Bonds	8/16/2012	2.00 - 2.50%	12/1/2030	4,035,000	2,810,000	-	280,000	2,530,000	300,000
2014A G.O. Improvement Bonds	7/15/2014	2.00 - 3.50%	1/15/2030	3,385,000	2,160,000	-	220,000	1,940,000	220,000
2015A G.O. Improvement Bonds	8/13/2015	2.00 - 3.00%	1/15/2031	1,195,000	850,000	-	80,000	770,000	80,000
2016A G.O. Improvement Bonds	6/8/2016	2.00%	1/15/2032	6,855,000	5,220,000	-	430,000	4,790,000	435,000
2017A G.O. Improvement Bonds	6/8/2017	2.50 - 3.00%	1/15/2033	4,480,000	3,710,000	-	270,000	3,440,000	275,000
2019A G.O. Improvement Bonds	10/24/2019	2.00 - 3.00%	2/1/2035	1,195,000	1,135,000	-	65,000	1,070,000	70,000
2021A G.O. Improvement Bonds	12/7/2021	1.75 - 3.00%	2/1/2037	6,310,000	6,310,000	-	-	6,310,000	430,000
2022A G.O. Improvement Bonds	8/16/2022	3.00 - 5.00%	2/1/2037	7,590,000	-	7,590,000	-	7,590,000	515,000
TOTAL BUSINESS-TYPE DEBTS				<u>35,045,000</u>	<u>22,195,000</u>	<u>7,590,000</u>	<u>1,345,000</u>	<u>28,440,000</u>	<u>2,325,000</u>
TOTAL INDEBTEDNESS				<u>\$ 74,830,000</u>	<u>\$ 49,655,000</u>	<u>\$ 12,495,000</u>	<u>\$ 3,215,000</u>	<u>\$ 58,935,000</u>	<u>\$ 4,805,000</u>

**STATISTICAL SECTION
(UNAUDITED)**

**CITY OF LAKE ELMO, MINNESOTA
STATISTICAL SECTION
(UNAUDITED)**

This part of the City of Lake Elmo, Minnesota's Annual Comprehensive Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	Pages
<p>Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</p>	103-112
<p>Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue source, property taxes, as well as water and sanitary sewer rates and gallons sold.</p>	113-117
<p>Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</p>	118-122
<p>Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	123-124
<p>Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	125-129

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive financial reports for the relevant year.

**CITY OF LAKE ELMO, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Governmental Activities:					
Net Investment in Capital Assets	\$ 39,647,112	\$ 34,784,806	\$ 29,694,288	\$ 24,771,065	\$ 15,396,520
Restricted	12,475,169	10,249,092	8,171,161	8,596,759	10,121,648
Unrestricted	<u>14,362,912</u>	<u>12,101,304</u>	<u>5,284,397</u>	<u>4,231,363</u>	<u>1,086,636</u>
Total Governmental Activities Net Position	<u>\$ 66,485,193</u>	<u>\$ 57,135,202</u>	<u>\$ 43,149,846</u>	<u>\$ 37,599,187</u>	<u>\$ 26,604,804</u>
Business-Type Activities:					
Net Investment in Capital Assets	\$ 59,998,083	\$ 53,867,479	\$ 44,371,375	\$ 33,052,649	\$ 18,382,934
Restricted	-	-	-	-	-
Unrestricted	<u>24,515,239</u>	<u>19,888,783</u>	<u>18,578,807</u>	<u>16,528,968</u>	<u>13,842,382</u>
Total Business-Type Activities Net Position	<u>\$ 84,513,322</u>	<u>\$ 73,756,262</u>	<u>\$ 62,950,182</u>	<u>\$ 49,581,617</u>	<u>\$ 32,225,316</u>
Primary Government:					
Net Investment in Capital Assets	\$ 99,645,195	\$ 88,652,285	\$ 74,065,663	\$ 57,823,714	\$ 33,779,454
Restricted	12,475,169	10,249,092	8,171,161	8,596,759	10,121,648
Unrestricted	<u>38,878,151</u>	<u>31,990,087</u>	<u>23,863,204</u>	<u>20,760,331</u>	<u>14,929,018</u>
Total Primary Government Net Position	<u>\$ 150,998,515</u>	<u>\$ 130,891,464</u>	<u>\$ 106,100,028</u>	<u>\$ 87,180,804</u>	<u>\$ 58,830,120</u>

GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows of resources. Net position for years prior to 2014 was not restated.

GASB 75 was implemented in 2018. Net position was restated for 2017 to reflect the reporting of the OPEB liability and OPEB related deferred inflows of resources. Net position for years prior to 2017 was not restated.

GASB 87 was implemented in 2022. Net position for years prior to 2022 was not restated.

CITY OF LAKE ELMO, MINNESOTA
NET POSITION BY COMPONENT (Continued)
LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Governmental Activities:					
Net Investment in Capital Assets	\$ 8,883,320	\$ 9,032,535	\$ 8,723,329	\$ 7,957,840	\$ 9,056,353
Restricted	5,057,169	4,704,133	3,446,142	1,106,200	1,225,849
Unrestricted	<u>4,818,383</u>	<u>4,136,292</u>	<u>3,942,646</u>	<u>5,405,920</u>	<u>4,593,463</u>
Total Governmental Activities Net Position	<u>\$ 18,758,872</u>	<u>\$ 17,872,960</u>	<u>\$ 16,112,117</u>	<u>\$ 14,469,960</u>	<u>\$ 14,875,665</u>
Business-Type Activities:					
Net Investment in Capital Assets	\$ 12,180,378	\$ 12,506,474	\$ 10,170,351	\$ 10,567,418	\$ 6,855,807
Restricted	2,695,734	1,473,164	1,876,119	2,387,312	2,612,569
Unrestricted	<u>9,151,417</u>	<u>6,400,375</u>	<u>3,577,285</u>	<u>1,100,422</u>	<u>1,846,681</u>
Total Business-Type Activities Net Position	<u>\$ 24,027,529</u>	<u>\$ 20,380,013</u>	<u>\$ 15,623,755</u>	<u>\$ 14,055,152</u>	<u>\$ 11,315,057</u>
Primary Government:					
Net Investment in Capital Assets	\$ 21,063,698	\$ 21,539,009	\$ 18,893,680	\$ 18,525,258	\$ 15,912,160
Restricted	7,752,903	6,177,297	5,322,261	3,493,512	3,838,418
Unrestricted	<u>13,969,800</u>	<u>10,536,667</u>	<u>7,519,931</u>	<u>6,506,342</u>	<u>6,440,144</u>
Total Primary Government Net Position	<u>\$ 42,786,401</u>	<u>\$ 38,252,973</u>	<u>\$ 31,735,872</u>	<u>\$ 28,525,112</u>	<u>\$ 26,190,722</u>

**CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION
LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Expenses					
Governmental Activities:					
General Government	\$ 1,055,405	\$ 1,052,188	\$ 1,008,916	\$ 1,181,219	\$ 1,266,269
Public Safety	2,939,066	3,091,321	2,681,784	2,058,419	2,161,082
Public Works	4,831,584	3,735,767	4,012,661	3,728,247	2,192,092
Parks and Recreation	415,377	391,240	428,083	361,730	524,445
Economic Development Authority	-	53,264	46,371	71,609	47,702
Debt Service	<u>716,093</u>	<u>353,256</u>	<u>363,988</u>	<u>395,106</u>	<u>352,376</u>
Total Governmental Activities Expenses	<u>9,957,525</u>	<u>8,677,036</u>	<u>8,541,803</u>	<u>7,796,330</u>	<u>6,543,966</u>
Business-Type Activities:					
Water	3,280,875	2,665,708	2,383,252	1,940,148	2,068,178
Sewer	2,071,858	1,563,008	1,481,586	1,082,997	846,032
Storm Sewer	<u>952,799</u>	<u>830,044</u>	<u>753,177</u>	<u>469,765</u>	<u>315,967</u>
Total Business-Type Activities Expenses	<u>6,305,532</u>	<u>5,058,760</u>	<u>4,618,015</u>	<u>3,492,910</u>	<u>3,230,177</u>
Total Primary Government Expenses	<u>\$ 16,263,057</u>	<u>\$ 13,735,796</u>	<u>\$ 13,159,818</u>	<u>\$ 11,289,240</u>	<u>\$ 9,774,143</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 409,126	\$ 485,785	\$ 421,792	\$ 553,870	\$ 379,378
Public Safety	2,215,965	2,199,655	2,146,319	1,574,359	1,938,163
Public Works	58,414	104,817	243,060	126,721	-
Parks and Recreation	206,340	25	2,812	1,430	-
Economic Development Authority	24	57,539	87,778	99,690	78,573
Operating Grants and Contributions	391,306	279,690	1,039,823	795,483	248,915
Capital Grants and Contributions	<u>4,783,094</u>	<u>8,981,866</u>	<u>4,823,628</u>	<u>11,076,353</u>	<u>4,970,565</u>
Total Governmental Activities Program Revenues	<u>8,064,269</u>	<u>12,109,377</u>	<u>8,765,212</u>	<u>14,227,906</u>	<u>7,615,594</u>
Business-Type Activities:					
Charges for services:					
Water	3,241,839	1,711,596	1,239,404	962,003	951,985
Sewer	1,499,393	549,567	432,583	306,041	252,614
Storm Sewer	543,589	512,624	369,689	380,645	322,700
Operating Grants and Contributions	-	35,635	21,893	122,350	-
Capital Grants and Contributions	<u>15,257,903</u>	<u>18,326,363</u>	<u>15,636,661</u>	<u>14,114,787</u>	<u>7,466,627</u>
Total Business-Type Activities	<u>20,542,724</u>	<u>21,135,785</u>	<u>17,700,230</u>	<u>15,885,826</u>	<u>8,993,926</u>
Total Primary Government Program Revenues	<u>\$ 28,606,993</u>	<u>\$ 33,245,162</u>	<u>\$ 26,465,442</u>	<u>\$ 30,113,732</u>	<u>\$ 16,609,520</u>

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION (Continued)
LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expenses					
Governmental Activities:					
General Government	\$ 1,503,251	\$ 1,358,370	\$ 1,134,132	\$ 1,072,888	\$ 1,103,337
Public Safety	1,528,253	1,308,360	1,344,282	1,530,609	1,277,798
Public Works	2,800,044	1,698,566	1,377,969	1,032,426	1,273,977
Parks and Recreation	1,299,551	660,947	639,006	448,361	424,687
Economic Development Authority	-	-	-	-	-
Debt Service	<u>225,910</u>	<u>178,266</u>	<u>215,611</u>	<u>165,028</u>	<u>133,694</u>
Total Governmental Activities Expenses	<u>7,357,009</u>	<u>5,204,509</u>	<u>4,711,000</u>	<u>4,249,312</u>	<u>4,213,493</u>
Business-Type Activities:					
Water	2,022,446	1,409,832	1,363,043	1,069,511	958,870
Sewer	1,030,058	380,650	250,866	353,438	119,370
Storm Sewer	<u>213,514</u>	<u>150,302</u>	<u>103,536</u>	<u>149,887</u>	<u>86,989</u>
Total Business-Type Activities Expenses	<u>3,266,018</u>	<u>1,940,784</u>	<u>1,717,445</u>	<u>1,572,836</u>	<u>1,165,229</u>
Total Primary Government Expenses	<u>\$ 10,623,027</u>	<u>\$ 7,145,293</u>	<u>\$ 6,428,445</u>	<u>\$ 5,822,148</u>	<u>\$ 5,378,722</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	\$ 206,856	\$ 51,009	\$ 42,706	\$ 45,161	\$ 32,778
Public Safety	2,101,890	1,752,522	866,708	496,916	414,472
Public Works	-	-	3,615	-	2,647
Parks and Recreation	-	-	26,214	10,753	17,000
Economic Development Authority	-	-	-	-	-
Operating Grants and Contributions	229,960	235,214	249,094	204,462	208,276
Capital Grants and Contributions	<u>2,290,265</u>	<u>1,452,469</u>	<u>2,038,940</u>	<u>557,601</u>	<u>1,364,622</u>
Total Governmental Activities Program Revenues	<u>4,828,971</u>	<u>3,491,214</u>	<u>3,227,277</u>	<u>1,314,893</u>	<u>2,039,795</u>
Business-Type Activities:					
Charges for services:					
Water	2,628,848	1,801,228	1,850,240	1,291,091	596,421
Sewer	2,435,749	1,315,948	1,523,067	741,054	53,142
Storm Sewer	289,375	213,233	229,252	214,915	191,087
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	<u>1,489,922</u>	<u>3,464,567</u>	<u>-</u>	<u>1,159,222</u>	<u>3,781,528</u>
Total Business-Type Activities	<u>6,843,894</u>	<u>6,794,976</u>	<u>3,602,559</u>	<u>3,406,282</u>	<u>4,622,178</u>
Total Primary Government Program Revenues	<u>\$ 11,672,865</u>	<u>\$ 10,286,190</u>	<u>\$ 6,829,836</u>	<u>\$ 4,721,175</u>	<u>\$ 6,661,973</u>

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION (Continued)
LAST TEN YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net (Expense) Revenue:					
Governmental Activities	\$ (1,893,256)	\$ 3,432,341	\$ 223,409	\$ 6,431,576	\$ 1,071,628
Business-Type Activities	<u>14,237,192</u>	<u>16,077,025</u>	<u>13,082,215</u>	<u>12,392,916</u>	<u>5,763,749</u>
Total Primary Government, net	<u>12,343,936</u>	<u>19,509,366</u>	<u>13,305,624</u>	<u>18,824,492</u>	<u>6,835,377</u>
General Revenues and Other					
Changes in Net Position:					
Governmental Activities:					
General Property Taxes	7,565,922	5,294,950	4,960,342	4,181,914	3,610,106
Unrestricted Grants and Contributions	703,388	4,639	4,337	4,956	6,868
Unrestricted Investment Earnings (Losses)	(380,657)	(13,874)	348,766	331,010	115,583
Miscellaneous	23,384	-	-	-	-
Gain (Loss) on Disposal of Capital Assets	69,985	17,300	13,805	44,927	8,991
Transfers	<u>3,261,225</u>	<u>5,250,000</u>	<u>-</u>	<u>-</u>	<u>840</u>
Total Governmental Activities	<u>11,243,247</u>	<u>10,553,015</u>	<u>5,327,250</u>	<u>4,562,807</u>	<u>3,742,388</u>
Business-Type Activities:					
Unrestricted Grants and Contributions	2,146	-	-	-	956
Unrestricted Investment Earnings (Losses)	(221,053)	(20,945)	286,350	411,206	96,425
Extraordinary Item	-	-	-	4,552,179	-
Transfers	<u>(3,261,225)</u>	<u>(5,250,000)</u>	<u>-</u>	<u>-</u>	<u>(840)</u>
Total Business-Type Activities	<u>(3,480,132)</u>	<u>(5,270,945)</u>	<u>286,350</u>	<u>4,963,385</u>	<u>96,541</u>
Total Primary Government	<u>\$ 7,763,115</u>	<u>\$ 5,282,070</u>	<u>\$ 5,613,600</u>	<u>\$ 9,526,192</u>	<u>\$ 3,838,929</u>
Change in Net Position:					
Governmental Activities	\$ 9,349,991	\$ 13,985,356	\$ 5,550,659	\$ 10,994,383	\$ 4,814,016
Business-Type Activities	<u>10,757,060</u>	<u>10,806,080</u>	<u>13,368,565</u>	<u>17,356,301</u>	<u>5,860,290</u>
Total Primary Government Change in Net Position	<u>\$ 20,107,051</u>	<u>\$ 24,791,436</u>	<u>\$ 18,919,224</u>	<u>\$ 28,350,684</u>	<u>\$ 10,674,306</u>

GASB 68 was implemented in 2015. Pension expense for years prior to 2015 was not restated.

GASB 75 was implemented in 2018. OPEB expense for years prior to 2018 was not restated.

GASB 87 was implemented in 2022. Lease revenue for years prior to 2022 was not restated.

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN NET POSITION (Continued)
LAST TEN YEARS

	2017	2016	2015	2014	2013
Net (Expense) Revenue:					
Governmental Activities	\$ (2,528,038)	\$ (1,713,295)	\$ (1,483,723)	\$ (2,934,419)	\$ (2,173,698)
Business-Type Activities	3,577,876	4,854,192	1,885,114	1,833,446	3,456,949
Total Primary Government, net	1,049,838	3,140,897	401,391	(1,100,973)	1,283,251
General Revenues and Other					
Changes in Net Position:					
Governmental Activities:					
General Property Taxes	3,040,413	3,226,739	3,204,119	3,200,291	3,231,609
Unrestricted Grants and Contributions	2,749	8,584	2,749	2,749	2,749
Unrestricted Investment Earnings (Losses)	48,987	43,228	46,589	87,586	35,259
Miscellaneous	158,350	52,479	73,738	125,400	1,833
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	8,979
Transfers	-	143,105	220,842	(887,312)	-
Total Governmental Activities	3,250,499	3,474,135	3,548,037	2,528,714	3,280,429
Business-Type Activities:					
Unrestricted Grants and Contributions	-	748	-	-	-
Unrestricted Investment Earnings (Losses)	46,757	44,423	39,757	19,337	30,346
Extraordinary Item	-	-	-	-	-
Transfers	-	(143,105)	(220,842)	887,312	-
Total Business-Type Activities	46,757	(97,934)	(181,085)	906,649	30,346
Total Primary Government	\$ 3,297,256	\$ 3,376,201	\$ 3,366,952	\$ 3,435,363	\$ 3,310,775
Change in Net Position:					
Governmental Activities	\$ 722,461	\$ 1,760,840	\$ 2,064,314	\$ (405,705)	\$ 1,106,731
Business-Type Activities	3,624,633	4,756,258	1,704,029	2,740,095	3,487,295
Total Primary Government Change in Net Position	\$ 4,347,094	\$ 6,517,098	\$ 3,768,343	\$ 2,334,390	\$ 4,594,026

**CITY OF LAKE ELMO, MINNESOTA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Fund:					
Nonspendable	\$ -	\$ -	\$ 21,206	\$ 28,162	\$ 18,951
Committed	-	-	-	-	-
Unassigned	<u>7,540,239</u>	<u>5,618,812</u>	<u>5,212,435</u>	<u>4,286,022</u>	<u>4,756,695</u>
Total General Fund	<u>7,540,239</u>	<u>5,618,812</u>	<u>5,233,641</u>	<u>4,314,184</u>	<u>4,775,646</u>
All Other Governmental Funds:					
Nonspendable	-	-	-	-	395
Restricted	9,933,623	17,458,949	5,814,832	5,973,451	6,133,168
Committed	14,120	7,673	7,314	24,070	11,003
Assigned	7,145,740	7,571,501	2,653,880	1,746,202	1,198,909
Unassigned	<u>(198,128)</u>	<u>(246,004)</u>	<u>(1,525,916)</u>	<u>(757,968)</u>	<u>(3,043,623)</u>
Total all Other Governmental Funds	<u>16,895,355</u>	<u>24,792,119</u>	<u>6,950,110</u>	<u>6,985,755</u>	<u>4,299,852</u>
Total Governmental Funds	<u>\$ 24,435,594</u>	<u>\$ 30,410,931</u>	<u>\$ 12,183,751</u>	<u>\$ 11,299,939</u>	<u>\$ 9,075,498</u>

CITY OF LAKE ELMO, MINNESOTA
FUND BALANCES – GOVERNMENTAL FUNDS (Continued)
LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Fund:					
Nonspendable	\$ 410,193	\$ 409,222	\$ 432,306	\$ 638,963	\$ 859,072
Committed	200,000	200,000	-	-	-
Unassigned	<u>3,499,133</u>	<u>3,279,815</u>	<u>2,754,976</u>	<u>2,542,038</u>	<u>2,318,310</u>
Total General Fund	<u>4,109,326</u>	<u>3,889,037</u>	<u>3,187,282</u>	<u>3,181,001</u>	<u>3,177,382</u>
All Other Governmental Funds:					
Nonspendable	675,000	-	3,908	-	-
Restricted	2,849,956	3,248,230	2,477,730	717,781	743,976
Committed	-	-	-	-	-
Assigned	1,307,216	1,504,656	1,768,742	2,943,525	2,252,931
Unassigned	<u>(681,681)</u>	<u>(418,169)</u>	<u>(431,755)</u>	<u>(693,904)</u>	<u>(885,360)</u>
Total all Other Governmental Funds	<u>4,150,491</u>	<u>4,334,717</u>	<u>3,818,625</u>	<u>2,967,402</u>	<u>2,111,547</u>
Total Governmental Funds	<u>\$ 8,259,817</u>	<u>\$ 8,223,754</u>	<u>\$ 7,005,907</u>	<u>\$ 6,148,403</u>	<u>\$ 5,288,929</u>

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues:					
General Property Taxes	\$ 7,562,013	\$ 5,303,553	\$ 4,947,133	\$ 4,182,327	\$ 3,610,508
Licenses and Permits	1,646,539	1,485,658	1,425,695	1,055,038	1,317,648
Intergovernmental	1,121,633	722,128	1,023,193	2,819,961	247,178
Charges for Services	1,170,762	1,151,914	1,273,241	1,079,342	899,808
Fines and Forfeits	34,711	45,749	33,584	36,696	49,203
Special Assessments	570,486	862,766	474,099	649,487	1,398,155
Park Dedication Fees	-	1,845,371	714,558	123,500	502,802
Investment Earnings (Losses)	(419,853)	(13,874)	348,766	331,010	115,583
Lease Interest	39,196	-	-	-	-
Miscellaneous	150,426	177,000	183,711	201,494	129,455
Total Revenues	<u>11,875,913</u>	<u>11,580,265</u>	<u>10,423,980</u>	<u>10,478,855</u>	<u>8,270,340</u>
Expenditures:					
Current:					
General Government	1,017,210	1,056,983	1,005,254	1,136,908	1,208,145
Public Safety	2,701,216	3,003,677	2,641,770	1,948,269	1,644,159
Public Works	1,763,030	1,488,448	1,493,370	1,875,606	1,227,521
Parks And Recreation	282,789	258,690	310,066	265,260	241,761
Economic Development Authority	-	53,264	46,371	71,609	47,702
Debt service:					
Principal	1,870,000	3,641,000	1,790,000	1,615,000	1,175,000
Interest and Fiscal Charges	611,636	425,797	420,299	454,814	230,822
Capital Outlay	14,912,731	4,915,641	1,846,843	4,354,643	4,552,089
Total Expenditures	<u>23,158,612</u>	<u>14,843,500</u>	<u>9,553,973</u>	<u>11,722,109</u>	<u>10,327,199</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(11,282,699)</u>	<u>(3,263,235)</u>	<u>870,007</u>	<u>(1,243,254)</u>	<u>(2,056,859)</u>
Other Financing Sources (Uses):					
Issuance of Debt	4,905,000	6,126,989	-	2,860,000	1,866,000
Premium on Issuance of Debt	326,200	(876,989)	-	168,168	-
(Discount) on Issuance of Debt	-	15,675,000	-	-	-
Proceeds from Sale of Capital Assets	76,162	548,115	13,805	44,927	8,991
Transfers In	252,074	-	1,900,244	1,181,173	56,209
Transfers Out	(252,074)	17,300	(1,900,244)	(786,573)	(173,190)
Total Other Financing Sources (Uses)	<u>5,307,362</u>	<u>21,490,415</u>	<u>13,805</u>	<u>3,467,695</u>	<u>1,758,010</u>
Net Change in Fund Balance	<u>\$ (5,975,337)</u>	<u>\$ 18,227,180</u>	<u>\$ 883,812</u>	<u>\$ 2,224,441</u>	<u>\$ (298,849)</u>
Debt Service as a Percentage of Noncapital Expenditures	28.3%	40.9%	26.8%	26.1%	24.2%
Debt Service as a Percentage of Total Expenditures	10.7%	27.4%	23.1%	17.7%	13.6%

CITY OF LAKE ELMO, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (Continued)
LAST TEN YEARS

	2017	2016	2015	2014	2013
Revenues:					
General Property Taxes	\$ 3,042,074	\$ 3,231,674	\$ 3,222,216	\$ 3,203,111	\$ 3,231,609
Licenses and Permits	2,046,462	1,713,918	828,494	451,953	374,974
Intergovernmental	1,023,864	282,874	296,902	413,968	1,704,178
Charges for Services	137,920	38,608	35,796	30,192	6,113
Fines and Forfeits	41,418	49,505	48,739	48,647	52,110
Special Assessments	455,493	897,323	1,316,239	115,424	180,023
Park Dedication Fees	265,783	171,708	138,158	274,257	-
Investment Earnings (Losses)	48,987	43,228	46,415	87,467	35,127
Lease Interest	-	-	-	-	-
Miscellaneous	265,133	77,491	99,055	165,319	57,260
Total Revenues	<u>7,327,134</u>	<u>6,506,329</u>	<u>6,032,014</u>	<u>4,790,338</u>	<u>5,641,394</u>
Expenditures:					
Current:					
General Government	1,502,904	1,358,306	1,094,723	1,046,906	1,527,732
Public Safety	1,470,726	1,262,040	1,203,765	1,198,546	1,174,145
Public Works	1,185,828	893,644	686,401	585,071	614,270
Parks And Recreation	603,292	500,689	457,749	368,276	301,404
Economic Development Authority	-	-	-	-	-
Debt service:					
Principal	910,000	826,219	667,342	585,000	3,348,000
Interest and Fiscal Charges	463,570	242,392	226,611	157,649	179,018
Capital Outlay	5,860,917	3,126,782	2,729,512	2,881,437	1,784,914
Total Expenditures	<u>11,997,237</u>	<u>8,210,072</u>	<u>7,066,103</u>	<u>6,822,885</u>	<u>8,929,483</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,670,103)</u>	<u>(1,703,743)</u>	<u>(1,034,089)</u>	<u>(2,032,547)</u>	<u>(3,288,089)</u>
Other Financing Sources (Uses):					
Issuance of Debt	4,565,000	2,690,000	1,620,000	2,850,000	1,604,797
Premium on Issuance of Debt	166,068	102,877	32,137	31,520	-
(Discount) on Issuance of Debt	(26,302)	(14,392)	(11,386)	-	-
Proceeds from Sale of Capital Assets	1,400	-	30,000	-	-
Transfers In	-	143,105	220,842	10,501	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>4,706,166</u>	<u>2,921,590</u>	<u>1,891,593</u>	<u>2,892,021</u>	<u>1,604,797</u>
Net Change in Fund Balance	<u>\$ 36,063</u>	<u>\$ 1,217,847</u>	<u>\$ 857,504</u>	<u>\$ 859,474</u>	<u>\$ (1,683,292)</u>
Debt Service as a Percentage of Noncapital Expenditures					
	22.4%	21.0%	20.6%	18.8%	49.4%
Debt Service as a Percentage of Total Expenditures					
	11.4%	13.0%	12.7%	10.9%	39.5%

**CITY OF LAKE ELMO, MINNESOTA
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

Payable Year	Taxable Market Value	Tax Capacity		Total Tax Capacity	Total Adjusted Tax Capacity (1)	City Urban Tax Rate	% of Tax Capacity to Total Estimated Market Value
		Real Property	Personal Property				
2013	1,028,011,400	11,392,876	237,584	11,630,460	11,384,320	29.259	1.13%
2014	1,046,031,000	11,504,611	238,764	11,743,375	11,393,889	27.761	1.12%
2015	1,184,578,800	12,938,515	243,104	13,181,619	13,072,105	23.798	1.11%
2016	1,224,463,300	13,386,725	266,218	13,652,943	13,441,204	23.121	1.12%
2017	1,316,618,700	14,520,320	292,938	14,813,258	14,631,062	20.018	1.13%
2018	1,452,554,500	16,054,044	326,744	16,380,788	15,359,350	22.442	1.13%
2019	1,648,277,500	18,184,317	345,172	18,529,489	18,249,623	22.927	1.12%
2020	1,901,067,300	20,907,484	345,800	21,253,284	20,021,726	23.476	1.12%
2021	2,009,618,900	21,975,125	374,464	22,349,589	21,116,953	23.638	1.11%
2022	2,231,230,900	24,469,045	287,646	24,756,691	23,487,099	30.546	1.11%

(1) Tax Capacity adjusted for captured tax increment, fiscal disparities, and transmission lines.

Valuations are determined as of January 1 of year preceding tax collection year. The County determines a property's tax capacity by multiplying a property's estimated market value times the property's class rate which is determined by its use. The total City tax levy divided by the total City tax capacity determines a percentage, the City tax rate, that is applied to each parcel's tax capacity to determine the tax amount.

**CITY OF LAKE ELMO, MINNESOTA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS**

Fiscal Year	City Direct Rate			Overlapping Rates				Range of Total Direct and Overlapping Tax Rates	
	Operating Tax Rate	Debt Service Tax Rate	Total Tax Rate	Range of Tax Rates for ISD's 622, 832 & 834	Washington County	Range of Tax Rates for Watershed Districts	Special Taxing Districts		
2013	23.555	5.704	29.259	22.017 - 37.104	31.548	0.779 - 5.306	4.857	88.460	108.074
2014	23.472	4.289	27.761	23.150 - 39.770	30.243	0.761 - 5.066	4.641	86.556	107.481
2015	20.121	3.677	23.798	21.120 - 35.860	27.691	0.692 - 4.769	4.183	77.484	96.301
2016	18.184	4.937	23.121	19.849 - 35.569	27.860	0.075 - 5.111	4.568	75.473	96.229
2017	14.083	5.934	20.017	20.390 - 34.093	27.852	0.839 - 5.275	4.345	73.443	91.582
2018	16.107 (1)	6.335	22.442	19.349 - 32.161	29.709	0.819 - 5.021	3.072	75.391	92.405
2019	16.258 (1)	6.670	22.927	18.442 - 31.894	29.305	0.808 - 5.263	3.994	75.476	93.383
2020	16.777 (1)	6.700	23.477	15.321 - 29.926	28.610	0.766 - 4.850	3.738	71.911	90.600
2021	17.178 (1)	6.460	23.638	17.277 - 29.554	27.244	0.742 - 4.835	3.593	72.494	88.864
2022	20.505 (1)	10.041	30.546	19.502 - 32.173	27.526	0.718 - 4.437	3.483	81.775	98.165

Source: Washington County Taxation Division

The City's direct property tax rate is determined by dividing the amount of tax levied by the City Council by the City's total tax capacity.

Overlapping rates are those of local and county governments that apply to property owners within the City of Lake Elmo. Not all overlapping rates apply to all City of Lake Elmo property owners. Although the property tax rates apply to all city property owners, some city properties lie within the geographical boundaries of different school and watershed districts.

(1) Excludes Library Levy component effective 1/1/2018 due to going back to Washington County

**CITY OF LAKE ELMO, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2022			2013		
	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value	Taxable Tax Capacity	Rank	Percentage of Total City Tax Capacity Value
Dakota Upreit LP	\$ 279,546	1	1.13%	\$ -	-	-
Bremer Financial Services Inc	257,388	2	1.04%	197,474	3	1.70%
MLL High Pointe LLC	198,362	3	0.80%	-	-	-
Xcel Energy	175,822	4	0.71%	204,686	2	1.76%
Eagle Point Medical Building LLC	172,324	5	0.70%	-	-	-
Arbor Glen Senior Living LLC	143,258	6	0.58%	-	-	-
MHC Cimarron LLC	141,288	7	0.57%	134,090	4	1.15%
Boulder Ponds Senior Living LLC	138,506	8	0.56%	-	-	-
Auto-Owners Life Insurance Co.	113,510	9	0.46%	-	-	-
HOA Hotels LLC	107,784	10	0.44%	89,880	7	0.77%
IRET Properties	-	-	-	205,342	1	1.77%
United Land LLC	-	-	-	121,976	5	1.05%
Tartan Park LLC	-	-	-	100,643	6	0.87%
Danate Proper Inv I LLC	-	-	-	76,762	8	0.66%
Eagle Point II LLC	-	-	-	71,064	9	0.61%
Davis Estates LTD	-	-	-	64,912	10	0.56%
Total	<u>\$ 1,727,788</u>		<u>6.98%</u>	<u>\$ 1,266,829</u>		<u>10.33%</u>

Source: Washington County Taxation Division

**CITY OF LAKE ELMO, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Fiscal Year	Taxes Levied for the Fiscal Year	Net Tax Levy for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Delinquent Taxes as a Percentage of Total Net Tax Levy
			Amount	Percentage of Net Levy		Amount	Percentage of Net Levy		
2013	\$ 3,163,359	\$ 3,160,524	\$ 3,133,764	99.15%	\$ 26,760	\$ 3,160,524	100.00%	\$ -	0.00%
2014	3,163,359	3,160,285	3,128,695	99.00%	31,590	3,160,285	100.00%	-	0.00%
2015	3,113,017	3,133,137	3,112,989	99.36%	19,874	3,132,863	99.99%	274	0.01%
2016	3,112,204	3,112,204	3,068,116	98.58%	42,044	3,110,160	99.93%	2,044	0.07%
2017	2,950,426	2,950,426	2,935,173	99.48%	12,485	2,947,658	99.91%	2,768	0.09%
2018	3,596,601	3,592,491	3,574,859	99.51%	13,239	3,588,098	99.88%	4,393	0.12%
2019	4,179,840	4,175,590	4,149,059	99.36%	19,244	4,168,303	99.83%	7,287	0.17%
2020	4,949,823	4,945,184	4,864,708	98.37%	43,075	4,907,782	99.24%	37,402	0.76%
2021	5,263,268	5,258,656	5,205,793	98.99%	50,910	5,256,703	99.96%	1,953	0.04%
2022	7,468,748	7,463,868	7,372,100	98.77%	61,909	7,434,009	99.60%	29,860	0.40%

(1) Tax Levy adjusted for powerline and market value credits and AG program credits prior to 2016

**CITY OF LAKE ELMO, MINNESOTA
WATER AND SANITARY SEWER CHARGES BY CUSTOMER
LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Water (in millions of gallons):										
Residential	351,923	323,632	203,453	173,925	96,882	93,513	98,044	84,007	98,573	120,676
Commercial service	<u>46,427</u>	<u>50,822</u>	<u>157,170</u>	<u>87,935</u>	<u>22,189</u>	<u>16,603</u>	<u>29,379</u>	<u>21,653</u>	<u>12,156</u>	<u>8,253</u>
Total gallons	398,350	374,454	360,623	261,860	119,071	110,116	127,423	105,660	110,729	128,929
Total direct rate per 1,000 gallons:										
Residential (2)	2.18	2.14	2.12	2.12	2.06	2.00	2.14	2.14	2.14	2.14
Commercial service (2)	3.39	3.33	3.30	3.30	3.20	3.11	3.11	3.11	3.11	3.11
Sanitary Sewer (in millions of gallons):										
Residential (1)	96,361	75,550	46,170	41,003	32,409	38,340	6,812	3,794	-	-
Commercial service	<u>20,432</u>	<u>16,021</u>	<u>11,779</u>	<u>12,943</u>	<u>12,267</u>	<u>6,807</u>	<u>9,125</u>	<u>8,179</u>	<u>6,532</u>	<u>6,149</u>
Total gallons	116,793	91,571	57,949	53,946	44,676	45,147	15,937	11,973	6,532	6,149
Total direct rate per 1,000 gallons	4.80	4.70	4.65	4.60	4.55	4.50	4.50	4.50	4.50	4.50

(1) City did not have any residential sanitary sewer customers in 2014 and prior

(2) City uses tiers, rate represents first tier, up to 15,000 gallons rate

**CITY OF LAKE ELMO, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS**

Fiscal Year	Governmental Activities				Total Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	G.O. Improvement Bonds	G.O. Equipment Certificates	G.O. Capital Improvement Plan Bonds	Other Notes and Bonds		G.O. Utility Revenue Bonds				
2013	\$ 4,436,967	\$ 102,000	\$ 1,941,135	\$ -	\$ 6,480,102	\$ 12,476,920	\$ 18,957,022	4.5%	2,349	
2014	6,919,568	52,000	1,808,024	-	8,779,592	15,530,642	24,310,234	6.8%	3,013	
2015	8,095,288	-	1,687,803	21,219	9,804,310	12,622,484	22,426,794	6.0%	2,779	
2016	10,210,038	-	1,537,530	-	11,747,568	18,990,395	30,737,963	8.2%	3,809	
2017	14,151,671	-	1,382,249	-	15,533,920	22,866,787	38,400,707	8.8%	3,990	
2018	13,185,126	940,000	1,226,928	926,000	16,278,054	21,680,126	37,958,180	7.6%	3,608	
2019	14,697,425	940,000	1,065,000	926,000	17,628,425	21,520,145	39,148,570	6.5%	3,525	
2020	13,159,432	850,000	900,000	881,000	15,790,432	20,105,366	35,895,798	5.5%	3,232	
2021	26,839,553	755,000	730,000	-	28,324,553	22,841,659	51,166,212	6.0%	4,043	
2022	30,395,678	655,000	555,000	-	31,605,678	29,470,720	61,076,398	6.3%	4,826	

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See the *Demographic and Economic Statistics* schedule for personal income and population data.

**CITY OF LAKE ELMO, MINNESOTA
RATIOS OF NET GENERAL BONDED DEBT
LAST TEN YEARS**

Fiscal Year	General Bonded Debt Outstanding					Less: Amounts Available in Debt Service Funds	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita (Net)
	G.O. Improvement Bonds	G.O. Equipment Certificates	G.O. Capital Improvement Plan Bonds	G.O. Utility Revenue Bonds	Total*				
2013	\$ 4,436,967	\$ 102,000	\$ 1,941,135	\$ 12,476,920	\$ 18,957,022	\$ (729,753)	\$ 18,227,269	1.77%	2,259
2014	6,919,568	52,000	1,808,024	15,530,642	24,310,234	(691,700)	23,618,534	2.26%	2,927
2015	8,095,288	-	1,687,803	12,622,484	22,405,575	(2,477,730)	19,927,845	1.68%	2,470
2016	10,210,038	-	1,537,530	18,990,395	30,737,963	(3,215,590)	27,522,373	2.25%	3,411
2017	14,151,671	-	1,382,249	22,866,787	38,400,707	(3,524,956)	34,875,751	2.65%	3,623
2018	13,185,126	940,000	1,226,928	21,680,126	37,032,180	(4,461,692)	32,570,488	2.24%	3,096
2019	14,697,425	940,000	1,065,000	21,520,145	38,222,570	(4,716,520)	33,506,050	2.03%	3,017
2020	13,159,432	850,000	900,000	20,105,366	35,014,798	(4,530,993)	30,483,805	1.60%	2,745
2021	26,839,553	755,000	730,000	22,841,659	51,166,212	(3,893,266)	47,272,946	2.35%	3,736
2022	30,395,678	655,000	555,000	29,470,720	61,076,398	(4,535,578)	56,540,820	2.53%	4,468

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for taxable market value

See Table 15 for population data

* Net of crossover debt

**CITY OF LAKE ELMO, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2022**

	<u>Debt Outstanding</u>		<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping Debt:				
Independent School District # 622	\$ 418,170,000	(1)	40%	\$ 167,672,933
Independent School District # 832	45,165,000	(1)	89%	40,160,054
Independent School District # 834	81,265,000	(1)	18%	15,008,001
Washington County	108,685,000	(1)	6%	6,125,299
Metropolitan Council	1,717,186,171	(1)	7%	<u>119,564,916</u>
Total Overlapping Debt				348,531,203
 City Direct Debt	 \$ 31,605,678		 100%	 <u>31,605,678</u>
Total Direct and Overlapping Debt				<u><u>\$ 380,136,881</u></u>

*For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Sources: Taxable value data used to estimate applicable percentages provided by Washington County.
Debt outstanding data provided by each governmental unit.

**CITY OF LAKE ELMO, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS**

Legal Debt Margin Calculation for Fiscal Year 2022

Market Value	\$ 2,231,230,900
Applicable Percentage	<u>3%</u>
Debt Limit	<u>66,936,927</u>
Debt Applicable to Limit:	
Total Bonded Debt	61,076,398
Less:	
Special Assessment Bonds	(30,395,678)
Utility Revenue Bonds	(29,470,720)
Amount set aside for Repayment of G.O. Debt	<u>(230,703)</u>
	<u>979,297</u>
Legal Debt Margin	<u>\$ 65,957,630</u>

Legal Debt Margin Calculation for Fiscal Years 2013 Through 2022

Fiscal Year	Population	Debt Limit	Net Debt Applicable to Limit	Legal Debt Margin	Amount of Debt Applicable to Debt Limit	Net Debt Applicable to Limit Per Capita
2013	8,069	\$ 32,470,203	\$ 1,894,510	\$ 30,575,693	5.83%	\$235
2014	8,069	35,537,364	1,757,421	33,779,943	4.95%	218
2015	8,069	36,733,899	1,572,289	35,161,610	4.28%	195
2016	8,069	38,035,233	2,102,343	35,932,890	5.53%	261
2017	9,625	38,556,774	1,846,657	36,710,117	4.79%	192
2018	10,521	43,576,635	2,018,280	41,558,355	4.63%	192
2019	11,105	49,448,325	1,839,548	47,608,777	3.72%	166
2020	11,105	57,032,019	850,000	56,182,019	1.49%	77
2021	12,655	60,288,567	1,485,000	58,803,567	2.46%	117
2022	12,655	66,936,927	979,297	65,957,630	1.46%	77

**CITY OF LAKE ELMO, MINNESOTA
 PLEDGED REVENUE COVERAGE
 LAST TEN YEARS**

Payable Year	G.O. Utility Revenue Bonds						Coverage
	Gross Revenue (1)	Operating Expenses (2)	Net Available Revenue	Debt Service (3)			
				Principal	Interest		
2013	\$ 3,501,321	\$ 504,648	\$ 2,996,673	\$ 165,000	\$ 300,789	643%	
2014	2,266,397	678,394	1,588,003	365,000	424,080	201%	
2015	3,642,316	627,977	3,014,339	4,165,000	456,782	65%	
2016	3,407,097	757,862	2,649,235	615,000	380,969	266%	
2017	6,651,513	1,505,420	5,146,093	705,000	513,768	422%	
2018	5,767,128	1,279,347	4,487,781	625,000	312,660	479%	
2019	4,190,240	1,175,282	3,014,958	1,360,000	509,863	161%	
2020	6,243,582	1,553,371	4,690,211	1,380,000	504,661	249%	
2021	9,147,164	1,680,527	7,466,637	3,825,000	514,210	172%	
2022	6,911,305	2,086,151	4,825,154	1,345,000	468,989	266%	

- (1) Gross revenue includes investment earnings, infrastructure charges and special assessments.
- (2) Operating expenses do not include interest, depreciation, or amortization expense.
- (3) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF LAKE ELMO, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**

Fiscal Year	Population (1)	Personal Income (4) <i>(thousands of dollars)</i>	Per Capita Personal Income (2)	State Unemployment Rate (3)	City Unemployment Rate (3)
2013	8,069	\$ 420,879	\$ 52,160	4.6%	4.0%
2014	8,069	357,723	44,333	3.8%	3.7%
2015	8,069	371,602	46,053	3.2%	2.9%
2016	8,069	374,345	46,393	3.8%	3.3%
2017	9,625	438,563	45,565	3.3%	3.3%
2018	10,521	497,896	47,324	2.8%	2.7%
2019	11,105	601,991	54,209	3.5%	2.8%
2020	11,105	652,352	58,744	4.9%	4.0%
2021	12,655	851,277	67,268	2.6%	2.2%
2022	12,655	971,056	76,733	3.4%	2.9%

Sources:

- (1) Metropolitan Council; 2021 most recent
- (2) United States Census Bureau
- (3) Estimate based on County unemployment rate provided by Minnesota Department of Employment and Economic Development
- (4) The estimated personal income for the City of Lake Elmo is calculated by taking the per capita income and multiplying it by the City's population.

**CITY OF LAKE ELMO, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment(1)	Employees	Rank	Percentage of Total City Employment(1)
3M Company (Maplewood)	11,000	1	47.3%	9,500	1	48.7%
Andersen Corp (Bayport)	4,500	2	19.3%	1,850	2	9.5%
ISD No. 622 (North St. Paul-Maplewood-Oakdale)	1,830	3	7.9%	-	-	-
Woodwinds Health (Woodbury)	1,500	4	6.4%	1,070	4	5.5%
ISD 834 (Stillwater)	1,162	5	5.0%	1,037	5	5.3%
HealthEast Care/St. John's Hospital (Maplewood)	973	6	4.2%	-	-	-
Washington County (Stillwater)	940	7	4.0%	1,138	3	5.8%
Presbyterian Homes/Boutwells (Oak Park Heights)	500	8	2.1%	-	-	-
Ecowater Systems, Inc. (Woodbury)	440	9	1.9%	440	7	2.3%
Bremer Bank Operations Ctr (Lake Elmo)	425	10	1.8%	400	8	2.1%
MN Correctional Facility (Oak Park Hts)	-	-	-	725	6	3.7%
Imation Corp (Oakdale)	-	-	-	380	9	1.9%
SunAmerica Financial Group (Woodbury)	-	-	-	310	10	1.6%

⁽¹⁾City staff estimate

CITY OF LAKE ELMO, MINNESOTA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS

	Full-Time-Equivalent Employees as of December 31,				
	2022	2021	2020	2019	2018
General Government:					
Administration	1.93	1.93	1.98	2.70	2.70
Finance	0.82	0.82	0.72	1.05	1.05
Planning and Zoning	2.75	1.95	1.95	2.10	2.10
Total General Government	<u>5.50</u>	<u>4.70</u>	<u>4.65</u>	<u>5.85</u>	<u>5.85</u>
Public Safety:					
Fire	2.32	1.42	1.42	3.80	3.80
Building Inspections	5.21	4.91	4.91	4.20	4.20
Total Public Safety	<u>7.53</u>	<u>6.33</u>	<u>6.33</u>	<u>8.00</u>	<u>8.00</u>
Public Works:					
Streets and Roadways	<u>5.64</u>	<u>6.47</u>	<u>4.80</u>	<u>4.80</u>	<u>4.80</u>
Parks and Recreation:					
Parks	<u>1.18</u>	<u>1.01</u>	<u>2.25</u>	<u>2.20</u>	<u>2.20</u>
Communications	<u>0.42</u>	<u>0.42</u>	<u>0.42</u>	<u>0.50</u>	<u>0.50</u>
Total Governmental Activities	<u>20.27</u>	<u>18.93</u>	<u>18.45</u>	<u>21.35</u>	<u>21.35</u>
Business-type Activities:					
Water Utility	3.76	2.98	2.75	2.50	2.50
Sewer Utility	1.59	1.05	1.40	1.15	1.15
Storm Sewer Utility	0.89	0.54	0.90	0.80	0.80
Total Business-Type Activities	<u>6.23</u>	<u>4.57</u>	<u>5.05</u>	<u>4.45</u>	<u>4.45</u>
Total	<u><u>26.50</u></u>	<u><u>23.50</u></u>	<u><u>23.50</u></u>	<u><u>25.80</u></u>	<u><u>25.80</u></u>

Source: City's Adopted Budgets

CITY OF LAKE ELMO, MINNESOTA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM (Continued)
LAST TEN YEARS

	Full-Time-Equivalent Employees as of December 31,				
	2017	2016	2015	2014	2013
General Government:					
Administration	2.45	2.45	3.20	3.55	3.55
Finance	1.20	1.20	0.80	1.25	1.25
Planning and Zoning	2.21	2.21	2.75	2.70	2.95
Total General Government	<u>5.86</u>	<u>5.86</u>	<u>6.75</u>	<u>7.50</u>	<u>7.75</u>
Public Safety:					
Fire	3.80	3.80	1.50	1.55	2.05
Building Inspections	4.21	4.21	3.15	1.55	1.30
Total Public Safety	<u>8.01</u>	<u>8.01</u>	<u>4.65</u>	<u>3.10</u>	<u>3.35</u>
Public Works:					
Streets and Roadways	<u>4.55</u>	<u>4.55</u>	<u>3.90</u>	<u>3.20</u>	<u>3.21</u>
Parks and Recreation:					
Parks	<u>3.00</u>	<u>3.00</u>	<u>1.85</u>	<u>3.30</u>	<u>2.74</u>
Communications	<u>-</u>	<u>-</u>	<u>0.70</u>	<u>0.35</u>	<u>0.40</u>
Total Governmental Activities	<u>21.42</u>	<u>21.42</u>	<u>17.85</u>	<u>17.45</u>	<u>17.45</u>
Business-type Activities:					
Water Utility	2.00	2.00	2.45	2.60	2.10
Sewer Utility	1.66	1.66	1.30	0.70	0.70
Storm Sewer Utility	0.80	-	-	-	-
Total Business-Type Activities	<u>4.46</u>	<u>3.66</u>	<u>3.75</u>	<u>3.30</u>	<u>2.80</u>
Total	<u>25.88</u>	<u>25.08</u>	<u>21.60</u>	<u>20.75</u>	<u>20.25</u>

**CITY OF LAKE ELMO, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN YEARS**

	2022	2021	2020	2019	2018
Planning and Zoning:					
Conditional use permits	7	1	1	6	6
Interim use permits	-	-	-	-	-
Minor subdivisions	-	2	-	1	1
Plats / planned unit developments	5	7	5	13	13
Rezoning	2	8	1	4	4
Site plans	-	-	3	-	-
Variances	10	6	5	6	6
Fire:					
Total emergency responses	790	568	546	461	461
EMS responses	493	355	317	317	317
Fire responses	297	213	229	144	144
Building Inspections:					
Residential permit valuations (thousands of dollars) \$	69,557	\$ 100,189	\$ 98,294	\$ 113,913	\$ 113,913
Commercial permit valuations (thousands of dollars) \$	25,189	\$ 12,548	\$ 11,761	\$ 3,217	\$ 3,217
New residential units (1)	200	297	309	245	245
New commercial units	6	5	11	-	-
Water Utility:					
Number of customers	4,769	4,229	3,559	2,317	2,317
Average quarterly consumption (2) (millions of gallons)	100	89	76	56	56
Sanitary Sewer Utility:					
Number of customers	3,415	2,971	2,363	1,253	1,253
Average quarterly flow (3) (millions of gallons)	29	19	18	11	11

Sources: Various City Department's annual financial report statistics

(1) Excludes fire/demolition rebuilds

(2) Residential and Commercial

(3) Billed and measured based on water usage; new developer homes built in 2015 but not yet sold/occupied so no impact to flows

CITY OF LAKE ELMO, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM (Continued)
LAST TEN YEARS

	2017	2016	2015	2014	2013
Planning and Zoning:					
Conditional use permits	5	3	2	4	2
Interim use permits	2	2	1	1	1
Minor subdivisions	1	2	2	-	2
Plats / planned unit developments	10	11	9	17	1
Rezoning	5	3	2	11	2
Site plans	1	1	-	-	2
Variances	6	4	2	2	5
Fire:					
Total emergency responses	456	430	429	358	448
EMS responses	313	268	274	237	280
Fire responses	143	162	32	21	28
Building Inspections:					
Residential permit valuations (thousands of dollars) \$	86,710	\$ 119,301	\$ 50,401	\$ 23,032	\$ 19,979
Commercial permit valuations (thousands of dollars) \$	1,185	\$ 2,003	\$ 1,952	\$ 7,309	\$ 966
New residential units (1)	299	240	140	41	32
New commercial units	1	1	1	3	-
Water Utility:					
Number of customers	1,727	1,538	1,234	1,073	1,051
Average quarterly consumption (2) (millions of gallons)	28	18	18	19	21
Sanitary Sewer Utility:					
Number of customers	712	321	96	45	29
Average quarterly flow (3) (millions of gallons)	12	14	74	77	77

**CITY OF LAKE ELMO, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Public Works:										
Bituminous streets (miles)	97	94.80	92	112	112	103	103	65	65	63
Gravel streets (miles)	0.5	0.5	0.5	0.5	1	2	2	2	2	2
Storm sewer (miles)	52.5	50	48	33	33	30	30	25	25	25
Parks & Recreation:										
Acres of parkland	517	517	427	427	427	420	420	420	420	420
Number of parks	24	24	24	24	24	17	17	17	17	17
Water Utility:										
Water towers	3	3	3	3	3	3	3	3	3	2
Miles of watermain	81.6	75	73	58	58	50	50	43	40	39
Number of fire hydrants	812	735	707	559	559	415	415	378	351	293
Sanitary Sewer Utility:										
Miles of sanitary sewer	36.1	33	32	29	29	8	8	4	3	3
Lift Stations	8	6	7	5	5	4	4	4	4	3

Sources: Various City Department's annual financial report statistics

OTHER REQUIRED REPORTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Lake Elmo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Lake Elmo, Minnesota, (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Lake Elmo's basic financial statements and have issued our report thereon dated June 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake Elmo's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Responses* as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the City of Lake Elmo failed to comply with the provisions of the contracting-bid laws, depositories of public funds and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Lake Elmo's response to the findings identified in our engagement and described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 6, 2023

**CITY OF LAKE ELMO, MINNESOTA
CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022**

FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Finding 2022-001 Limited Segregation of Duties

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
The City will review and evaluate current processes, procedures, and employee roles within the Finance Department. To the extent possible, the City will implement additional controls to mitigate the lack of segregation of duties.

3. Official Responsible
Kristina Handt, City Administrator, is the official responsible for ensuring corrective action.

4. Planned Completion Date
December 31, 2023.

5. Plan to Monitor Completion
The City Council will be monitoring this Corrective Action Plan.

City of Lake Elmo, Minnesota

Report to the Members of Governance

June 6, 2023

**SCHLENNER
WENNER & CO.**
CPAs

**CITY OF LAKE ELMO, MINNESOTA
TABLE OF CONTENTS**

Introductory Letter.....1

Required Communications2

Members of Governance
City of Lake Elmo, Minnesota

We are pleased to present this report related to our audit of the basic financial statements of City of Lake Elmo (the City) as of and for the year ended December 31, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the members of governance and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to the City.



SCHLENNER WENNER & CO.

St. Cloud, Minnesota

June 6, 2023

**CITY OF LAKE ELMO, MINNESOTA
REQUIRED COMMUNICATIONS**

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement and Compliance Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated December 8, 2022. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated April 14, 2023 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City.

Effective the current year, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This standard increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that were previously classified as operating leases and recognized as income by lessors and expenses by lessees. The standard also replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. The City implemented GASB Statement No. 87 and adjusted the presentation in the financial statements accordingly.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

CITY OF LAKE ELMO, MINNESOTA REQUIRED COMMUNICATIONS

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The only estimates we have deemed significant to the financial statements are estimates associated with the following balances reported at year-end:

- Net OPEB liability and related deferred outflows/inflows of resources
- Net pension asset/liability and related deferred outflows/inflows of resources

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, have been proposed by us and recorded by the City for the purpose of recording various cash to accrual adjustments.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Departure From the Auditor's Standard Report

Our Independent Auditor's Report includes several additional or non-standard paragraphs that you should be aware of as follows:

- Emphasis of Matter for the Adoption of GASB Statement No. 87, *Leases*
- Other Matters related to Required Supplementary Information, Supplementary Information, and Other Information
- Other Reporting Required by *Government Auditing Standards*

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read the City's introductory and statistical sections included in the annual report. We did not identify material inconsistencies with the audited financial statements.

Observations About the Audit Process

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

CITY OF LAKE ELMO, MINNESOTA REQUIRED COMMUNICATIONS

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (when applicable), and audit firms work together in considering compliance with AICPA and Government Accountability Office (GAO) independence rules. For Schlenner, Wenner, & Co. to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee (when applicable), and Schlenner, Wenner, & Co. each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. Schlenner, Wenner, & Co. is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

The City's Responsibilities

- Timely inform Schlenner, Wenner, & Co., before the effective date of transactions or other changes, of the following:
 - New affiliates, members of governance, or person in financial reporting and compliance oversight roles.
 - Changes in the reporting entity impacting affiliates such as related entities, investments, joint ventures, component units, and jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the City and its affiliates, members of governance, or persons in a decision-making capacity, engaging in business relationships with Schlenner, Wenner, & Co.
- Not entering into arrangements of non-audit services resulting in Schlenner, Wenner, & Co. being involved in making management decisions on behalf of the City.
- Not entering into relationships resulting in Schlenner, Wenner, & Co., Schlenner, Wenner, & Co. covered persons or their close family members, temporarily or permanently acting as a member of governance or person in an accounting, financial reporting or compliance oversight role at the City.

Internal Control and Compliance Matters

We have separately communicated the significant deficiency in internal control over financial reporting identified during our audit of the basic financial statements, as required by *Government Auditing Standards*. This communication is included within the compliance section of the City's financial report for the year ended December 31, 2022.

Significant Written Communications Between Management and Our Firm

We have requested significant written communications from management that are included in the management representation letter dated June 6, 2023.